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No. 07-

IN THE

Supreme Court of the United States

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS and HOWMEDICA OSTEONICS CORPORATION,

Petitioners,

v.

ACUMED LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the public notice function of patents is vitiated by the Federal Circuit's panel-specific, unpredictable practice of choosing between two irreconcilable claim construction methodologies whereby patent claims are either (1) construed in accordance with the broadest available dictionary definition not expressly disavowed by the patent specification or (2) construed to have a scope commensurate with the embodiments disclosed in the specification where no other indications of breadth are affirmatively disclosed or taught in the specification.

2. Whether this case satisfies the requirements for an order of grant of certiorari, vacation of judgment, and remand to the Federal Circuit on the issue of willfulness, in view of the Federal Circuit's abolition of the 24 year old standard of due care for willfulness in *In re Seagate Technology, LLC*, Misc. Docket No. 830, __ F.3d __, 2007 U.S. App. LEXIS 19768 (Fed. Cir. August 20, 2007) (*en banc*), wherein the present case was deemed close on the merits by both the district court and the Federal Circuit, and thus cannot meet the new "objectively reckless" willfulness standard.

CORPORATE DISCLOSURE STATEMENT

The caption contains the names of all of the parties to the proceeding below.

Pursuant to this Court's Rule 29.6, undersigned counsel state that Petitioner Stryker Corporation is the parent company of Petitioners Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation. No publicly held company owns 10% or more of any of the Stryker Petitioners' stock.

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OPINIONS BELOW

Petitioner Stryker Corporation ("Stryker") respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, reported at 483 F.3d 800 (Fed. Cir. 2007). App., *infra*, at 1a – 36a. The order denying Stryker's Petition For Rehearing and Rehearing En Banc is unreported. *Id.* at 37a. The judgment of the United States District Court for the District of Oregon is also unreported. *Id.* at 41a - 42a.

JURISDICTIONAL STATEMENT

The District Court had jurisdiction over Respondent's claims pursuant to 28 U.S.C. §1338(a). The Federal Circuit had jurisdiction to hear Stryker's appeal under 28 U.S.C. §1295(a)(1), and filed its opinion on April 12, 2007. Stryker's timely Petition for Rehearing and Rehearing En Banc was denied on June 5, 2007. This Court has jurisdiction pursuant to 28 U.S.C. §1254(1).

STATUTORY PROVISION INVOLVED

This case involves the interpretation of 35 U.S.C. §112, pertinent portions of which are set forth at App. 83a-84a.

STATEMENT OF THE CASE

I. OVERVIEW OF THE CASE

The Constitution vests in Congress the authority "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. CONSTITUTION, art. I, §8, cl. 8. App. 85a. Congress thus enacted patent laws that grant patentees a limited monopoly consisting of the exclusive right to make, use, sell, offer to sell, or import the patented invention, 35 U.S.C. §271 (2007), in exchange for a full, clear, and concise public disclosure of the invention. 35 U.S.C. §112 (2007). It is fundamental to our patent system that the public be able to ascertain the extent of patent monopolies with reasonable certainty. *Hogg v. Emerson*, 47 U.S.

437, 484 (1848) (explaining that patents must be sufficiently clear "so that the public, while the term continues, may be able to understand what the patent is, and refrain from its use, unless licensed.") (citations omitted).

This case raises a question of exceptional importance regarding how the proper scope of patent claims can be ascertained. Over the past several years, amid heightened fear of importing limitations from the specification into the claims, the dictionary has emerged as a popular tool for claim construction. *E.g. Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1205 (Fed. Cir. 2002); *Gemstar-TV Guide Int'l, Inc. v. Int'l Trade Comm'n*, 383 F.3d 1352, 1371-1372 (Fed. Cir. 2004); *Free Motion Fitness, Inc. v. Cybex Int'l, Inc.*, 423 F.3d 1343, 1349, 1354 (Fed. Cir. 2005). Under the dictionary methodology, the broadest available dictionary definition is presumed to be the "ordinary meaning" of the claim term, untouched by the patent specification. *Texas Digital*, 308 F.3d at 1205. The patent specification serves only as a check to determine whether any claim scope has been expressly disavowed by the patentee. *Id.*

The widespread construction of claim terms in accordance with their dictionary definitions, often camouflaged by the Federal Circuit as the "ordinary meaning" or "plain meaning" of a claim term, has wreaked havoc on the public notice function of patents by rewarding patentees with claim scope far broader than what the written description and claims show to be the actual invention. The patent bar and the judiciary have engaged in fierce debate concerning whether claims should be construed by first reviewing the patent specification to determine the meaning of the claim term in the context of the patent specification, or whether - as the decision below holds - claims should be construed by first considering the dictionary definition or "ordinary meaning" of the disputed claim term and reviewing the specification only to determine whether claim scope has been clearly disavowed. *E.g.*, Gretchen Ann Bender, *Uncertainty and Unpredictability in Patent Litigation: the Time is Ripe for*

a Consistent Claim Construction Methodology, 8 J. INTELL. PROP. L. 175, 175 (2001) ("Unfortunately, the field of patent infringement litigation currently lacks the certainty necessary to efficiently litigate (and resolve) cases."); Russell B. Hill, et. al., *Ending the Federal Circuit CrapShoot: Emphasizing Plain Meaning in Patent Claim Interpretation*, 42 I.D.E.A. 1, 1 (2002) ("The tension between these camps [of judges on the Federal Circuit], which is driven by competing canons of claim construction, results in uncertainty for litigants and wasted judicial resources."); R. Polk Wagner, et. al., *Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance*, 152 U. PA. L. REV. 1105, 1176 (2004) (finding "that there exists a distinct (and enduring) split in the methodological approach to claim construction at the Federal Circuit."). Prior to her appointment to the Federal Circuit, then-Professor Kimberly A. Moore observed:

> With judicial claim construction now nearing its adolescence...there should be more predictability. The reversal rate should be going down, not up. The fault, at this point, undoubtedly lies with the Federal Circuit itself. The court is not providing sufficient guidance on claim construction. There have not evolved any clear canons of claim construction to aid district court judges, and in fact the Federal Circuit judges seem to disagree among themselves regarding the tools available for claim construction.

Markman Eight Years Later: Is Claim Construction More Predictable?, 9 LEWIS & CLARK L. REV. 231, 246-47 (2005).[1]

Although this Court has not formally considered the issue of whether a dictionary definition should trump the meaning ascertained from the teachings of the patent specification, this Court's precedent reveals that claims have historically been construed in the context of the patent specification. *E.g.*, *Brooks*

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[1] Judge Moore later provided the dissenting opinion in the present case.

v. Fiske, 56 U.S. 212, 215 (1854) ("The claim, or summing up, however, is not to be taken alone, but in connection with the specification and drawings; the whole instrument is to be construed together."); *Am. Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 6 (1931) ("The claim of a patent must always be explained by and read in connection with the specification.") (*quoting Carnegie Steel Co.* v. *Cambria Iron Co.*, 185 U.S. 403, 432 (1902)); *United States v. Adams*, 383 U.S. 39, 49 (1966) ("[I]t is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention.") (citations omitted).

Despite this Court's historical preference for using the patent specification as the primary tool for construing claims, various panels of the Federal Circuit have gradually but unmistakably diminished the primacy of the patentee's own written description as a claim construction tool in favor of out-of-context, abstract dictionary definitions. As a result, two distinct, conflicting claim construction methodologies have emerged, leading to widespread uncertainty as to the proper interpretation of patent claims. Despite efforts by Congress and the Judiciary to increase certainty with respect to assessing the scope of patent claims, confusion over diverging claim construction precedent has reached a critical level that requires intervention by this Court.

In 1982, conflicting precedents of regional circuits on patent law issues led Congress to pass the Federal Courts Improvement Act. That Act established the Federal Circuit and consolidated appeals from patent cases in that court with the intention of decreasing such uncertainty. *Aerojet-General Corp. v. Machine Tool Works*, 895 F.2d 736, 744 n.7 (Fed. Cir. 1990) ("[T]he central purpose [in creating the Federal Circuit] is to reduce the widespread lack of uniformity and uncertainty of legal doctrine that existed in the administration of patent law.") (*quoting* H.R. REP. No. 312, 97th Cong., 1st Sess. 41 (1981)).

After the Federal Circuit was established, in an effort to further promote uniformity, this Court held that the interpretation

of patent claims was a matter of law for the judge to decide. *Markman v. Westview Instr., Inc.*, 517 U.S. 370, 372 (1996). Judges, as compared to juries, the Court explained, are better equipped to interpret patent claims, and the important statutory policies of uniformity and certainty would be ill served by having juries construe documents. *Id.* at 388-391. Inherent in *Markman* was the assumption that district courts and, indeed, the Federal Circuit, would be guided by consistent claim construction methodologies that would further the policies of uniformity and certainty. This Court even referenced a "standard construction rule that a term can be defined only in a way that comports with the instrument as a whole." *Id.* at 389 (citations omitted).

Unfortunately, far from any sort of "standard construction rule," the Federal Circuit has developed competing, irreconcilable methodologies to support whatever claim construction a given Federal Circuit panel seeks to justify. On the one hand, when favoring a broader claim construction, the Federal Circuit cautions that "limitations from the specification should not be imported into the claims," and that claims are not limited to the disclosed embodiments. *Comark Communs. Inc. v. Harris Corp.*, 156 F.3d 1182, 1186-87 (1998); *Gemstar*, 383 F.3d at 1372.

In *Texas Digital*, the Federal Circuit established a presumption in favor of the dictionary definition of a claim term, recommending that relevant dictionaries be examined first in construing a claim. The presumed meaning according to the dictionary definition could only be overcome where the patentee set forth an explicit definition of the claim term different than its ordinary meaning, or where the inventor clearly disavowed claim scope. *Texas Digital*, 308 F.3d at 1204. The *Texas Digital* court cautioned that consulting the intrinsic evidence as a threshold step in claim construction "invites a violation of our precedent counseling against importing limitations into the claims." *Id.* (citations omitted).

On the other hand, when favoring a narrower claim construction, the Federal Circuit implores that "claims should

be construed in light of the specification, of which they are a part," and that patentees should not be permitted to claim beyond the disclosed invention. *See, e.g., Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582-83 (Fed. Cir. 1996). Under this approach, the Federal Circuit instructed district courts that "in interpreting an asserted claim, the court should look first to the intrinsic evidence of record, *i.e.*, the patent itself, including the claims, the specification and, if in evidence, the prosecution history." *Id.* at 1582 (citation omitted). In fact, the *Vitronics* court stated that "[u]sually [the specification] is dispositive; it is the single best guide to the meaning of a disputed term." *Id.*

Of course, the *Texas Digital* and *Vitronics* methodologies are mutually exclusive because only one type of evidence can be referenced first. While the sequence of reviewing evidence may seem insignificant, a court's choice of methodologies is often dispositive of a patent case. This is particularly so in the common scenario exemplified in the present case where a specification uses a term in a narrower sense than the broadest available dictionary definition.

Starting the claim interpretation analysis with the dictionary rather than starting with the intrinsic evidence leads to different presumptions regarding the specification. If the dictionary meaning is broad and is considered first, the specification is used solely to determine whether the patentee "clearly disavowed" any claim scope, or where the patentee "clearly set forth an explicit definition of the term different than its ordinary meaning." Language from the specification that is anything less than an express definition generally is not read into the claim for fear of importing limitations from the specification into the claim. If the specification is silent as to the broader definition, the broader dictionary definition controls. *See, e.g., Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1342 (Fed. Cir. 2001); *Gemstar*, 383 F.3d at 1371-1372; *Free Motion Fitness*, 423 F.3d at 1349. This methodology assumes that a patentee's failure to discuss or disclose an embodiment means that the patentee

intended to include that embodiment, even though it is equally likely that the patentee simply never contemplated that embodiment. *See Housey Pharms., Inc. v. Astrazeneca UK Ltd.*, 366 F.3d 1348, 1357-58 (Fed. Cir. 2004) ("Claims to an invention that is not described in the specification are an anachronism. . . . The claims are part of the specification; their role is to point out what is covered by the patent, not to broaden the text.") (Newman, J., dissenting, citation omitted).

By starting its interpretive analysis with the intrinsic evidence, however, the court will be more likely to understand the meaning of the claim term in the context of the specification and will recognize whether a later-reviewed dictionary definition encompasses more than what the patentee contemplated to be part of the invention. *See, e.g., Nystrom v. Trex Co.*, 424 F.3d 1136, 1145 (Fed. Cir. 2005) ("[I]t is improper to read the term to encompass a broader definition [than meaning revealed by the context of the intrinsic record] simply because it may be found in a dictionary, treatise, or other extrinsic source.") (citations omitted). *Cf. nCube Corp. v. Seachange Int'l, Inc.*, 436 F.3d 1317, 1326, 1328 (Fed. Cir. 2006) ("The majority has broadened a poorly drafted patent to cover an invention that was not actually claimed or described in the specification" by affirming a claim construction that is not disclosed or suggested in the patent) (Dyk, J., dissenting). This is consistent with the statutory requirement that the patentee clearly and concisely describe his invention in the specification and "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention." 35 U.S.C. §112 ¶2 (2007).

In *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*), the Federal Circuit acknowledged the split in its precedent and purported to resolve the conflict by reaffirming the approach of *Vitronics* while rejecting the presumption of dictionary-based ordinary meaning identified in *Texas Digital. Phillips*, 415 F.3d at 1319-21. In particular, the Federal Circuit reaffirmed the primacy of the specification in construing claims and emphatically stated that "it is therefore entirely appropriate

for a court when conducting claim construction to rely heavily on the written description for guidance as to the ordinary meaning of the claims." *Id.* at 1317. The *Phillips* court recognized that "if the district court starts with the broad dictionary definition in every case and fails to fully appreciate how the specification implicitly limits that definition, the error will systematically cause the construction of the claim to be unduly expansive." *Id.* at 1321. Despite its many proclamations, *Phillips* did not resolve the issue presented in this case. To the contrary, *Phillips* both disparaged and praised dictionaries as a source of ordinary meaning for claim terms, and expressly permitted their use at any time during claim construction. *Id.* at 1324.

On the one hand, the Federal Circuit observed that "[t]he main problem with elevating the dictionary to such prominence is that it focuses the inquiry on the abstract meaning of words rather than on the meaning of claim terms within the context of the patent." *Id.* at 1321. On the other hand, the Federal Circuit stated that "we do not intend to preclude the appropriate use of dictionaries . . . A dictionary definition has the value of being an unbiased source accessible to the public in advance of litigation." *Id.* at 1322 (citation omitted). The *Phillips* court further noted that

> there is no magic formula or catechism for conducting claim construction. Nor is the court barred from considering any particular sources or required to analyze sources in any specific sequence, as long as those sources are not used to contradict claim meaning that is unambiguous in light of the intrinsic evidence.

Id. As forecasted by Federal Circuit Judge Mayer, this opened the door for continued confusion and uncertainty regarding the appropriate use of dictionaries and the specification in claim construction:

> Again today we vainly attempt to establish standards by which this court will interpret claims. But after

> proposing no fewer than seven questions, receiving more than thirty amici curiae briefs, and whipping the bar into a frenzy of expectation, we say nothing new, but merely restate what has become the practice over the last ten years – that we will decide cases according to whatever mode or method results in the outcome we desire, or at least allows us a seemingly plausible way out of the case.

Id. at 1330 (Mayer, J., dissenting). *See also* David J. Wolfsohn, et. al., *Phillips v. AWH: The Federal Circuit's Missed Opportunity*, THE LEGAL INTELLIGENCER, Sept. 14, 2005, at 8 ("If courts and litigants must continue to rely on generic recitations of the same 'well-settled' construction principles, while guidance on thornier interpretative questions is avoided, there is little reason to hope that the ad hoc and inconsistent nature of claim construction will be ameliorated any time soon."); R. HARMON, PATENTS AND THE FEDERAL CIRCUIT §6.2, p. 51 (7th ed., 2006 Supp.) (*Phillips* "provides precious little by way of guidance for practitioners and decision makers").

The mixed message of *Phillips* has resulted in a continuation of the Federal Circuit split over claim construction methodology. *See* David Sanker, *Phillips v. AWH Corp.: No Miracles in Claim Construction*, 21 BERKELEY TECH L.J. 101, 121 (2006) ("[A]s a case expected to clarify claim construction methodology, Phillips missed the mark."); Michael Saunders, *A Survey of Post-Phillips Claim Construction Cases*, 22 BERKELEY TECH L.J. 215, 237 (2007) ("a substantial number of litigants will face great uncertainty in the methodology of claim construction that the court will employ, as claim construction decisions will still frequently rely on dictionaries, and often in the more obtuse form of 'ordinary meaning.'"); Stephanie Ann Yonker, *Post-Phillips Claim Construction: Questions Unresolved*, 47 I.D.E.A. 301, 327 (2007) ("There is an insufficient framework articulated by the Federal Circuit [in *Phillips*] to guide the determination of claim term meaning or the scope of patent exclusivity."); Crissa A. Seymour Cook, *Phillips v. AWH Corp. and the*

Continuing Ambiguity of Patent Claim Construction Principles, 55 KAN. L. REV. 225, 226 (2006) ("the Federal Circuit's Phillips opinion failed to reconcile its intracircuit split, and...the en banc court blurred the lines between two competing claim construction authorities without providing any firm guidance to the district courts on how a judge should approach claim construction.").

Since *Phillips*, individual panels of the Federal Circuit continue to disagree on the proper claim construction methodology, particularly with respect to the significance of the "ordinary meaning(s)" set forth in dictionaries. *Compare, e.g., Nystrom*, 424 F.3d at 1145 *with Free Motion Fitness*, 423 F.3d at 1349, 1354 *and* App. 12a-17a. *See also* Hill, et. al., *supra*, at 15-22 (noting "Panel-Specific Federal Circuit Inconsistencies."). One study even reported that after *Phillips*, there have been more dissenting opinions on claim construction than ever before in the history of the Federal Circuit. Hal C. Wegner, *The Non-Precedential Claim Construction Black Hole* 15 ("A current study shows that roughly fifty-five (55) percent of trial court decisions involving claim constructions contested on appeal involve a *de novo*, different interpretation by the Federal Circuit.") (unpublished manuscript, available at http://www.patent hawk.com/blog_docs/ 060814_BlackHoleClaimConstruction_Wegner.pdf.). Reversal rates tied to claim construction remain at an all time high. Saunders, *supra*, at 236 (observing that "*Phillips* has not reduced reversal rates" and that "the overall reversal rate in claim construction cases, excluding summary affirmances, is 53.5%, slightly up from 47.3% [from a previous study].").

Panels also disagree on the meaning of *Phillips* itself. In the present case, both the majority and the dissent cited to *Phillips* for support of contrary positions. *Compare, e.g.*, App. 12a ("[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments.") (citing *Phillips*, 415 F.3d at 1323) *with* App. 25a ("In accordance with

Phillips, the interpretive inquiry should begin not with a dictionary definition, but with the patent itself, to ascertain what an ordinarily skilled artisan reading the patent would understand the claim term to mean.") (Moore, J., dissenting). Indeed, the Federal Circuit's dictionary analysis post-*Phillips* is being disguised under the rubric of interpreting claims in accordance with their "ordinary and customary meaning." *E.g.*, *Sorensen v. Int'l Trade Comm'n*, 427 F.3d 1375, 1378, 1380-81 (Fed. Cir. 2005); App. 33a ("What, if not the specification, is the majority using to determine the plain meaning of this term? The district court based its conclusion regarding the plain meaning of transverse on Webster's Dictionary. . . .") (Moore, J., dissenting).

While *Phillips* purported to overrule *Texas Digital*, the Federal Circuit's ambiguous language regarding the appropriate use and sequence of using dictionaries in claim construction has left the patent bar in a state of confusion. And *Texas Digital*-style, broadening claim construction analyses (disguised as "ordinary meaning" cases) continue to permeate Federal Circuit jurisprudence. This Court's intervention is necessary.

II. BACKGROUND OF THE CASE

A. The Technology at Issue

This case involves intramedullary nails used to treat proximal humeral fractures. Intramedullary nails are orthopedic implants that are inserted into the medullary canal of a fractured bone to immobilize the fracture. Bone screws are used to secure bone fragments to the implant and to prevent rotation of the nail.

The humerus is the bone located between the shoulder and the elbow joint. Proximal humeral fractures are often found in patients who have fallen on their arms. In the most common form of proximal humeral fracture, the shoulder ball breaks off from the longer part of the bone, sometimes itself breaking into 2 or 3 pieces. The holes through the implant for receiving bone screws are pre-drilled at specific locations along the length and circumference of the implant.

B. The '444 Patent

The patent-in-suit, U.S. Patent No. 5,472,444 ("the '444 patent"), addresses a specific type of intramedullary nail for proximal humeral fractures. The '444 patent describes "an elongated tapered nail or rod with a curved tapered shank that may be secured within a proximal portion of the humeral shaft, with a contiguous butt portion of the nail extending proximally from the shank to provide a solid foundation to which the humeral head fragments may be secured. The butt portion has transverse holes oriented at selected angles to receive fasteners attached to the fragments." Only one preferred embodiment is described in the '444 patent.

C. The District Court Action

Claim construction, and ultimately liability, turned on the construction of the claim term "transverse holes," a limitation appearing in every asserted claim. Under Stryker's proposed construction of "transverse holes" to mean "perpendicular holes," there could be no infringement as a matter of law because the accused products featured angled, non-perpendicular holes. Acumed construed "transverse holes" to simply mean "holes across the nail," arguing that "transverse holes" refer to all holes across the nail, including perpendicular and non-perpendicular holes.

The district court construed the disputed claim terms on October 7, 2004, at a time when claim construction using dictionary definitions was the norm, in accordance with *Texas Digital*. The District Court relied on MERRIAM-WEBSTER'S COLLEGIATE DICTIONARY, 11th Edition (2003) in construing the disputed claim terms.

According to that dictionary, there are two generally understood "ordinary meanings" of "transverse": "acting, lying or being across: set crosswise" or "made at right angles to the

anterior-posterior axis of the body."[2] It was undisputed that all of the drawings and descriptions of the "transverse holes" in the '444 patent were directed to holes at right angles to the longitudinal axis of the nail, *i.e.*, "perpendicular holes." Similarly, there was no evidence that the patentee even contemplated non-perpendicular holes, which were the subject of Stryker's own recently issued patent, U.S. Patent No. 7,247,156. Nevertheless, the District Court construed the claim term "transverse holes" to simply mean "holes across the butt portion of the nail," reasoning that the specification did not expressly disavow that definition, and therefore the claim term "transverse" presumptively covered all definitions. App. 25a.

On July 12, 2005, the Federal Circuit decided *Phillips*. In that decision, the *en banc* court expressly rejected the "dictionary-first" claim construction approach of *Texas Digital*. Stryker filed a motion for reconsideration of the claim construction order on July 22, 2005, noting that the District Court's claim construction was based on a "dictionary-first" approach that did not adequately consider the intrinsic evidence. The motion for reconsideration was denied on August 8, 2005, with the district court citing *Phillips* for the proposition that "there is no magic formula or catechism for conducting claim construction. Nor is the court barred from considering any particular sources or required to analyze sources in any specific sequence, as long as those sources are not used to contradict claim meaning that is unambiguous in light of the intrinsic evidence." App. 46a.

A jury trial was held on September 13-20, 2005. The jury was instructed to construe the claims in accordance with the District Court's claim construction order. The jury was further instructed on the law of willful infringement based on the then-existing duty of due care standard. The jury subsequently found literal and willful infringement. App. 48a-52a. The District Court

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[2] A respected medical dictionary also defined "transverse" as "placed crosswise; situated at right angles to the long axis of a part." DORLAND'S ILLUSTRATED MEDICAL DICTIONARY 1735 (28th ed. 1994).

entered a permanent injunction against Stryker on February 24, 2006. Subsequently, the District Court enhanced damages by fifty-percent based on the finding of willfulness, but denied Acumed's motion for attorney fees based on the closeness of the case with respect to liability and willfulness. App. 53a-73a.

D. The Federal Circuit's Decision

Stryker timely appealed the entry of a permanent injunction, and moved for a stay of injunctive relief pending appeal in the Federal Circuit. On March 16, 2006, the Federal Circuit granted Stryker's motion for a stay of injunctive relief. App. 38a-40a.

On April 12, 2007, the Federal Circuit affirmed the district court in a split decision. App. 1a-36a. As revealed by the majority and dissenting opinions, the outcome of this case depends on the choice of claim construction methodologies.

The majority found that "[t]he plain meaning of Claim 1 covers more than the particular embodiment shown in the figures. While the disclosed embodiment possesses 'perpendicular' holes, the claim language covers all 'transverse' holes – a word that does not necessarily imply right angles."[3] App. 12a. As in *Texas Digital*, the majority looked to the specification for a disavowal of claim scope. App. 14a ("Nowhere in the specification or prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes."). The majority simply ignored that a "plain meaning" of "transverse holes" is "perpendicular holes," in accordance with the specification, the Dorland's Medical Dictionary, as well as one of the definitions from the district court's general dictionary. The majority chose instead to give the patentee the "full scope" of the broadest dictionary meaning with no regard to the fact

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[3] To add insult to injury, the majority noted that its "*de novo* review means that we need not decide whether the logic or subsidiary definitions used by the district court to reach the correct construction were sound. Likewise, *de novo* review makes the atmospherics of the *Markman* hearing legally irrelevant here. We review only the district court's finished product, not its process." App. 17a, n. 2.

that the specification supported only the "perpendicular" meaning.

In a blistering dissent, Judge Moore opined that, "[w]hen one properly begins this claim construction inquiry with the intrinsic evidence, rather than dictionary definitions, it is evident that the district court's construction of 'transverse holes' is in error." App. 24a. Judge Moore criticized the district court's conclusion that the claim term should be construed in accordance with the broader of two dictionary definitions because there is no express disavowal of claim scope in the specification. App. 25a. In particular, Judge Moore noted: "I see no reason why we should adopt one, broader, plain meaning of the term 'transverse' when there is another plain meaning that is completely consistent with the intrinsic evidence." App. 33a.

In addition, Judge Moore pointed out that Federal Circuit precedent counsels that where there are two plain and ordinary meanings of a term, the public notice function of the claim is best served by the narrower meaning. App. 34a-35a (*citing Athletic Alternatives, Inc. v. Prince Mfg, Inc.*, 73 F.3d 1573 (Fed. Cir. 1996)). Judge Moore further recognized that, while the majority carefully avoided using the word "dictionary" to justify its broad definition of "transverse," the majority basically resurrected *Texas Digital* by starting with a broad dictionary definition and using the specification only as a check to determine whether any clear disclaimer of scope exists. App. 25a, 33a ("This approach was specifically rejected by this court sitting en banc in *Phillips* . . . What, if not the specification, is the majority using to determine the plain meaning of this term?"). Finally, citing this Court's decision in *Smith v. Snow*, 294 U.S. 1, 14 (1935), Judge Moore noted that "[c]onstruing 'transverse' to include something other than perpendicular- in spite of the repeated, narrow usage of that term in the specification- would provide patent coverage that is broader than what the inventor actually invented and disclosed in his specification, which clearly should have been the starting point for claim construction." App. 27a.

Stryker timely requested a rehearing or a rehearing en banc. While the Federal Circuit required a response from Acumed, it ultimately declined to rehear the case. App. 37a.

REASONS FOR GRANTING THE PETITION

Stryker seeks review because: (1) determining the proper methodology for construing claims is an issue of exceptional importance to the patent system, particularly in view of the ready availability of a multiplicity of dictionaries to support a potentially endless variety of claim definitions; (2) the claim construction methodology adopted by the Federal Circuit in the present case and in numerous other cases directly conflicts with this Court's precedent; (3) while the *en banc Phillips* decision was intended to resolve the Federal Circuit's conflicting claim construction methodologies, the Federal Circuit's refusal to take a firm position has not solved the intra-circuit split of authority; and (4) at a minimum, this case meets this Court's standards for granting certiorari, vacating, and remanding the issue of willfulness because the Federal Circuit in *In re Seagate Technology, L.L.C.*, Misc. Docket No. 830, __ F.3d __, 2007 U.S. App. LEXIS 19768 (Fed. Cir. August 20, 2007) (*en banc*), overruled the decades-old, artificially low standard for proving willful infringement that was applied in this case.

I. CRAFTING A CONSISTENT APPROACH TO CLAIM CONSTRUCTION IS EXCEPTIONALLY IMPORTANT TO THE PATENT SYSTEM

"In patent law, there is no more important issue than claim construction. The fortunes of industry rise and fall on such rulings." *See* David Potashnik, *Phillips v. AWH: Changing the Name of the Game*, 39 AKRON L. REV. 863, 867 (2006). The public notice aspect of claim construction is essential to the proper functioning of our patent system. *Markman*, 517 U.S. at 373 ("It has long been understood that a patent must describe the exact scope of an invention and its manufacture to secure to the patentee all which he is entitled, and to apprise the public of what is still open to them."). This Court has long recognized

that "[t]he object of the patent law in requiring the patentee to 'particularly point out and distinctly claim the part, improvement or combination which he claims as his invention or discovery,' is not only to secure to him all to which he is entitled, but to apprise the public of what is still open to them." *McClain v. Ortmayer*, 141 U.S. 419, 424 (1891). "The claim is the measure of [the patentee's] right to relief, and while the specification may be referred to limit the claim, it can never be made available to expand it." *Id.* Indeed, "nothing can be more just and fair, both to the patentee and the public, than that the former should understand, and correctly describe, just what he has invented, and for what he claims a patent." *Merrill v. Yeomans*, 94 U.S. 568, 573-74 (1877).

As the *Phillips* court recognized, but has nevertheless ignored in subsequent decisions, "it is inevitable that the multiple dictionary definitions for a term will extend beyond the construction of the patent [that] is confirmed by the avowed understanding of the patentee. . . . Thus, the use of the dictionary may extend patent protection beyond what should properly be afforded by the inventor's patent." *Phillips*, 415 F.3d at 1321-22. Despite the recognition of many problems with dictionary-based claim constructions, the *en banc Phillips* Court held that judges may "rely on dictionary definitions when construing claim terms, so long as the dictionary definition does not contradict any definition found in or ascertained by a reading of the patent documents." *Id.* at 1322-23 (*quoting Vitronics*, 90 F.3d at 1584, n. 6). In application, this rule has lead to the absurd proposition that a patentee is entitled to a claim scope commensurate with the meaning of a claim term in a dictionary, even if a different but non-contradictory meaning is "ascertained by a reading of the patent documents." Under this analysis, patentees are effectively rewarded for setting forth narrow or ambiguous patent disclosures with broad patent scope.[4] This

[4] As a result, patentees have an incentive to draft specifications narrowly and ambiguously. *See* Kelley Casey Mullally, *Patent*

(Cont'd)

contradicts the *quid pro quo* that forms the basis of the patent system, which requires patentees to fully disclose invention in exchange for a limited monopoly. *See Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255 (1945) ("the means adopted by Congress of promoting the progress of science and the arts is the limited grant of the patent monopoly in return for the full disclosure of the patented invention and its dedication to the public on the expiration of the patent.") (citations omitted).

A pronouncement by this Court clarifying the proper interpretation of patent claims would provide sorely needed guidance to the district courts. *See* Sanker, *supra*, at 117 ("The failure to address this issue and provide guidance to district courts will perpetuate the high reversal rate of district court decisions by the Federal Circuit"); Moore, *supra*, at 231 (noting growing concern surrounding "the lack of guidance" and resulting "considerable unpredictability" in claim construction cases). Moreover, setting forth a uniform claim construction methodology would enable the public to determine with reasonable certainty the scope of patent claims before litigation. Clear notice of patent claims is important because it promotes innovation, which furthers economic efficiency. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-31 (2002); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989).

II. THE FEDERAL CIRCUIT'S DICTIONARY RULE CONFLICTS WITH THIS COURT'S PRECEDENT

Under the guise of giving claim terms their "ordinary meaning," the Federal Circuit in the present case, and in scores

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Hermeneutics: Form and Substance in Claim Construction, 59 FLA. L. REV. 333, 374-75 (2007) (explaining that patentees may have incentives to use vague, ambiguous, or obscure language).

of other cases, has adopted broad dictionary definitions that often change the reasonably ascertainable meaning of claims. *See, e.g., Comark*, 156 F.3d at 1187; *Gemstar*, 383 F.3d at 1371-72. By granting patentees a broader claim scope than that taught by the disclosure, patent claims are no longer read "in view of the specification." This conflicts with historical practice and this Court's precedents regarding the use of the specification in the construction of patents. Using the specification as a check on a general dictionary definition minimizes the role of the specification in understanding the meaning of a claim term and eviscerates the *quid pro quo* contemplated by 35 U.S.C. §112 and the Constitution. At a minimum, when a claim term is susceptible to more than one claim construction, this Court's precedent dictates that the construction that best comports with the intrinsic evidence should be adopted.

This Court has long recognized that a patent, like any legal document, should be interpreted by looking to the document as a whole. *E.g., Markman*, 517 U.S. at 389 (citations omitted). ("It is a standard construction rule that a [patent] term can be defined only in a way that comports with instrument as a whole.") (citations omitted). From the very beginning of our patent system, the written specifications of patents have played a key role in the interpretation of patent scope. Indeed, claims were not even statutorily recognized until 1836. *Id.* at 379. Before this, judges read the specification in order to ascertain the scope of the invention. For example, the Court in *Hogg* v. *Emerson* stated:

> [W]hen we are called upon to decide the meaning of the patent included in these letters, it seems our duty not only to look for aid to the specification as a specification, which is customary, but as a schedule, made here an integral portion of the letters themselves, and going out with them to the world, at first, as a part and parcel of them, and for this purpose united together forever as identical.

Hogg, 47 U.S. at 483 (internal citation omitted).

When claims were used, they were not interpreted in isolation, but in the context provided by the specification. *See Brooks*, 56 U.S. at 215. Even after claims became statutorily required in 1870, the specification remained fundamentally important to the understanding of the scope of the invention. *E.g., Am. Fruit Growers*, 283 U.S. at 6 ("The claim of a patent must always be explained by and read in connection with the specification."); *Schriber-Schroth Co. v. Cleveland Trust Co.*, 311 U.S. 211, 217 (1940) ("The claims of a patent are always to be read or interpreted in the light of its specifications"); *Adams*, 383 U.S. at 49 ("[I]t is fundamental that claims are to be construed in the light of the specifications and both are to be read with a view to ascertaining the invention.").

In *Bates v. Coe*, 98 U.S. 31 (1878), this Court taught that

> the claims of the patent, like other provisions in writing, must be reasonably construed, and in case of doubt or ambiguity it is proper in all cases to refer back to the descriptive portions of the specification to aid in solving the doubt or in ascertaining the true intent and meaning of the language employed in the claims.

Bates, 98 U.S. at 38. Because patents, like other legal documents, should be interpreted by looking to the document as a whole, proposed definitions of a claim term based on evidence outside of the patent must "fully comport[] with the specification and claims and so will preserve the patent's internal coherence . . ." *Markman* 517 U.S. at 390.

Some Federal Circuit panels, however, presume that dictionary definitions "fully comport" with the specification even where the specification uses the claim term only in a narrower sense without indicating a broader sense, provided that the dictionary definition is not expressly rejected or contrary to the intended meaning. *See, e.g., Free Motion Fitness*, 423 F.3d at 1348; *Gemstar*, 383 F.3d at 1371-72 (Fed. Cir. 2004); *Housey*, 366 F.3d at 1352. This is precisely what the majority did in the present case. App. 14a. Under such a presumption,

silence is essentially construed as if the patentee had affirmatively described the broadened subject matter. Such a result is inconsistent with the *quid pro quo* concept upon which our patent system is based, because it is the patentee's responsibility to clearly describe and particularly claim its invention in exchange for the limited monopoly given as part of the patent grant. *See Merrill*, 94 U.S. at 573-74 ("it seems to us that nothing can be more just and fair, both to the patentee and the public, than that the former should understand, and correctly describe, just what he has invented, and for what he claims a patent.").

The Federal Circuit's practice of broadening patent claim scope beyond what the patentee described as his invention is also directly contrary to the precedents of this Court that hold that "when the [patent] claim is fairly susceptible of two constructions, that [construction] will be adopted which will preserve to the patentee his actual invention. . . ." *McClain*, 141 U.S. at 425; *Smith*, 294 U.S. at 14 (same). If there is any ambiguity pertaining to the interpretation of a claim term, it should be resolved in a manner that is the most consistent with the patent specification. After all, this Court recognizes that it is contrary to public policy to broaden patent claims beyond what the patentee actually invented. *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945) ("The far-reaching social and economic consequences of a patent . . . give the public a paramount interest in seeing that patent monopolies... are kept within their legitimate scope."); *Mercoid v. Mid-Continent Investment Co.*, 320 U.S. 661, 666 (1944) ("The patent . . . is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines.").

Giving patentees a presumption of broader claim scope where no such scope was taught or contemplated unfairly benefits the patentee at the expense of public notice. Patentees are already protected against insubstantial changes to their claimed inventions by the doctrine of equivalents, which is

justified by the spirit of the patent laws. *See, e.g., Festo*, 535 U.S. at 732 (stating that while "[i]t is true that the doctrine of equivalents renders the scope of patents less certain," "this uncertainty [is] the price of ensuring the appropriate incentives for innovation."). Multiplying the zone of uncertainty by permitting expansion of the literal meaning of the chosen claim terms beyond the meaning ascertained in the context of the patent, however, is contrary to the spirit and letter of the patent laws.

III. THERE IS EXTENSIVE CONFLICT BETWEEN PANELS OF THE FEDERAL CIRCUIT

"Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation," the methodologies that it develops and applies regarding claim construction "is a matter of special importance to the entire Nation." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 89 (1993). Since *Phillips*, the use of varying claim construction methodologies by individual panels of the Federal Circuit has become a de facto intra-circuit split, making it virtually impossible for parties and district courts alike to know with reasonable certainty whether to stress the dictionary or the specification when construing a claim. Saunders, *supra*, at 236-237 (discussing post-Phillips claim construction methodologies and explaining that 35.8% of post-*Phillips* cases still based the "ordinary meaning" of a claim term on dictionary definitions). As described above, two distinctly competing lines of precedent continue to split the Federal Circuit's claim construction case law.

One line of cases, including the present case, essentially clings to the methodology of *Texas Digital*, which promoted looking first to the dictionary definition of a claim term for an "ordinary meaning" of the term, and then examining the patent and prosecution history only for evidence of a contrary meaning, *e.g.*, an express definition of the term or a rejection of the presumed "ordinary meaning." *See, e.g., Free Motion Fitness*, 423 F.3d at 1348-49; App. 12a-17a. Under this line of cases, a

patentee is entitled to a claim scope commensurate with the meaning of a claim term in a dictionary, even if a different but non-contradictory meaning is indicated from a reading of the patent documents. *See, e.g., Gemstar*, 383 F.3d at 1371-1372; *Rexnord*, 274 F.3d at 1342-43.

The competing line of cases looks first to the specification and other intrinsic evidence for the patentee's intended meaning. Upon finding an intended meaning, the patentee is not rewarded with a broader dictionary definition absent affirmative support in the specification. *See, e.g., Aquatex Indus., Inc. v. Techniche Solutions*, 419 F.3d 1374, 1380-82 (Fed. Cir. 2005); *Nystrom*, 424 F.3d at 1144-45. Under this line of cases, a patentee is entitled to claim scope no broader than the disclosed invention, even if a different but non-contradictory meaning is found in a dictionary. *See, e.g., Bell Atlantic Network Servs., Inc. v. Covad Commun. Group, Inc.*, 262 F.3d 1258, 1273 (Fed. Cir. 2001); *Netword L.L.C. v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed. Cir. 2001); *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1249-50 (Fed. Cir. 1998); *Housey*, 366 F.3d at 1356-58.

The continuing split, even post-*Phillips*, is best illustrated by an examination of *Nystrom* and *Free Motion Fitness*. In *Nystrom*, the claim term "board" was construed more narrowly than the dictionary allowed. The *Nystrom* Court explained that although some dictionaries define the term "board" as being broader than "a sawed piece of lumber," the patentee consistently used the term 'board' throughout the written description to describe wood decking material cut from a log. *Nystrom*, 424 F.3d at 1144. The patentee was therefore not entitled to a broader dictionary definition, which provided that a "board" could also be a similarly-shaped item made of a rigid material:

> What Phillips now counsels is that in the absence of something in the written description and/or prosecution history to provide explicit or implicit notice to the public—i.e., those of ordinary skill in the art—that the inventor intended a disputed term to cover more than

> the ordinary and customary meaning revealed by the context of the intrinsic record, it is improper to read the term to encompass a broader definition simply because it may be found in a dictionary, treatise, or other extrinsic source.

Id. at 1145.

Only two days later, a different panel took the opposite approach in *Free Motion Fitness*. There, the majority construed the term "adjacent" in accordance with the broader of two dictionary definitions because that definition was not explicitly disclaimed. The dissenting judge observed:

> The majority's reasoning appears to start with the broadest definition and consult the written description only to see if that definition is narrowed, rather than determining whether the specification discloses anything broader than the narrow definition ... The majority's approach, in my view, does not attempt to determine what the inventor actually invented, but rather takes the broadest available abstract meaning of a claim term that is not explicitly rejected by the specification. This approach allows the claim scope to extend beyond what the inventor's written description and claims show to be his actual invention.

Free Motion Fitness, 423 F.3d at 1355 (Prost, J., dissenting).

The present case and *Free Motion Fitness* also present a further split with *Athletic Alternatives*, which counsels that

> [w]here there is an equal choice between a broader and narrower meaning of a claim and there is an enabling disclosure that indicates that the applicant is at least entitled to a claim having the narrower meaning, we consider the notice function of the claim to be best served by the narrower meaning.

Athletic Alternatives, 73 F.3d at 1581. *Cf. McClain*, 141 U.S. at 425; *Smith*, 294 U.S. at 14. In the present case, the Federal

Circuit chose the broader meaning, without regard to the public notice function of the claims.

IV. THIS CASE IS A GOOD VEHICLE FOR RESOLVING THE QUESTION PRESENTED

If uniformity and public notice are to be realized, it is critical that this Court establish a coherent set of claim construction guidelines. Previous petitioners have bypassed this issue, instead requesting deferential review of district court claim constructions. *E.g., Phillips v AWH Corp.* (No. 05-602); *Amgen Inc. v. Hoechst Marion Roussel, Inc.* (No. 06-1291); *Memorex Prods., Inc. v. Sandisk Corp.* (No. 05-456); *Merck & Co. v. Teva Pharms. USA, Inc.* (No. 05-236). This case presents an opportunity to correct the underlying problem of claim construction – a lack of guidance as to how to properly construe a patent claim when faced with the increasingly common scenario where a broad dictionary definition encompasses scope not described in the patent.

This case presents an especially good factual and procedural scenario for addressing the appropriate claim construction methodology. The technology at issue is relatively straightforward. The patent discloses only one embodiment. Each party's proposed construction of "transverse" is supported by a dictionary definition: one broad, and one narrower. The specification expressly supports the narrower definition but is silent as to the broader definition. Resolution of the first Question Presented is outcome-determinative.

Procedurally, this case affords a perfect opportunity to address head-on the Federal Circuit's claim construction methodologies. The claim construction proceedings in this case were conducted in accordance with *Texas Digital*'s dictionary-first methodology. Reconsideration of the claim construction was denied due to the *en banc* Federal Circuit's statements based on *Phillips* permitting the continued use of dictionaries, despite overruling *Texas Digital*. The majority below affirmed the district court's claim construction under the auspices of relying

on *Phillips*, while the dissent disagreed with the claim construction, also citing to *Phillips*. This Court's intervention will help resolve the confusion foisted upon the patent bar by *Phillips* and its progeny.

V. A GVR ORDER IS APPROPRIATE IN THIS CASE

At a minimum, Stryker requests that the Court grant a writ of certiorari and vacate and remand ("GVR") the case to the Federal Circuit for review of the willfulness finding and subsequent enhancement of damages in light of its recent *en banc* decision in *In re Seagate Technology, LLC*, Misc. Docket No. 830, __ F.3d __, 2007 U.S. App. LEXIS 19768 (Fed. Cir. August 20, 2007) (*en banc*).

In *Lawrence v. Chater*, 516 U.S. 163 (1996), this Court confirmed "both that we have the power to issue a GVR order, and that such an order is an appropriate exercise of our discretionary certiorari jurisdiction." *Lawrence*, 516 U.S. at 166. 28 U.S.C. §2106 confers upon this Court a broad power to "vacate...any judgment, decree or order of a court lawfully brought before it for review, and may remand the cause and . . . require such further proceedings to be had as may be just under the circumstances." *Id.* In particular,

> [w]here intervening developments, or recent developments that we have reason to believe the court below did not fully consider, reveal a reasonable probability that the decision below rests upon a premise that the lower court would reject if given the opportunity for further consideration, and where it appears that such a redetermination may determine the ultimate outcome of the litigation, a GVR order is, we believe, potentially appropriate.

Lawrence, 516 U.S. at 167-168.

This case clearly meets the Court's GVR standard because relevant intervening post-appeal precedent has dramatically changed the standard of proof for willful infringement. This Court GVR's in light of a wide range of developments, including

Supreme Court decisions, state supreme court decisions, and the like. *Id.* at 166-167. Since the Federal Circuit has exclusive jurisdiction over patent appeals, an *en banc* decision changing substantive patent law is akin to an intervening state supreme court decision.

The Federal Circuit has long held that where a potential infringer has actual notice of another's patent rights, "he has an affirmative duty to exercise due care to determine whether or not he is infringing." *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983). "Such affirmative duty includes, inter alia, the duty to seek and obtain competent legal advice from counsel before the initiation of any possible infringing activities." *Id.* at 1389-90. Thus, *Underwater* shifted the burden to the accused infringer to prove the reasonableness of its conduct. Once willfulness is found, courts may enhance damages up to three times the amount. 35 U.S.C. §284 (2007).

On August 20, 2007, the Federal Circuit issued an *en banc* decision abolishing the duty of due care standard. The Federal Circuit recognized that, contrary to Supreme Court precedent that defines "willful" as "actions in reckless disregard of the law," the duty of care announced in *Underwater Devices* "sets a lower threshold for willful infringement that is more akin to negligence." *Seagate*, __ F.3d at __, 2007 U.S. App. LEXIS 19768, at *21.

In particular, *Seagate* overruled the Federal Circuit's longstanding duty of due care standard for willfulness that was applied in this case, finding that the overruled standard "allows for punitive damages in a manner inconsistent with Supreme Court precedent." *Id.* at *22 (*citing Safeco Ins. Co. of Am. v. Burr*, 127 S.Ct. 2201, 2208-10 (2007); *Smith v. Wade*, 461 U.S. 30, 39-49 (1983)). Indeed, the low standard for willfulness applied in the present case resulted not only in a finding of willfulness, but also an enhancement of damages.

The *en banc* Federal Circuit held that "proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness." *Id.* Under this new standard of proof, "a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.* at *22-23. "The state of mind of the accused infringer is not relevant to this objective inquiry. If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." *Id.* at *23.

Judge Gajarsa, in a detailed concurrence, agreed that the willfulness standard should follow this Court's analysis in *Safeco*. Under *Safeco*, Judge Gajarsa explained that a finding of willfulness under the new "objectively reckless" standard requires a showing, "by clear and convincing evidence, that (1) [the accused infringer's] theory of noninfringement/ invalidity was not only incorrect, but was objectively unreasonable, and (2) [the accused infringer] ran a risk of infringing substantially greater than the risk associated with a theory of noninfringement/ invalidity that was merely careless." *Id.* at *60 (Gajarsa, J., concurring).

In the present case, the now-defunct "duty of due care" standard was applied. Even under this lower threshold, the District Court specifically noted that the case was close on liability and willfulness. App. 63a. The Federal Circuit's split decision on liability and stay of the permanent injunction evidences the closeness of the liability case. App. 1a-36a; 38a-40a. Stryker obtained a detailed clearance opinion from patent counsel before it began selling the accused devices. App. 20a-21a. Similarly, the prior art relied upon by Stryker in its invalidity case was later used by a third party, Smith & Nephew LLC, in its request for reexamination of the patent-in-suit, and has formed the basis of the rejection of substantially all of the

asserted claims in the U.S. Patent Office's pending reexamination of the patent-in-suit. These factors alone demonstrate that a finding of objective recklessness is not possible in this close case. While ultimately unsuccessful, Stryker's noninfringement and invalidity defenses were objectively reasonable as demonstrated by the statements and actions of the district court, Federal Circuit, and U.S. Patent Office.

A remand and likely reversal of the willfulness finding would require a vacatur of the award of enhanced damages. Moreover, the underlying case is still pending before the district court on a remand from the Federal Circuit's vacation of the permanent injunction in view of this Court's decision in *eBay, Inc. v. MercExchange LLC*, 126 S.Ct. 1837 (2006). Respondent's motion for permanent injunction relies heavily on the "willfulness" of Stryker's infringement. Respondent subsequently filed a motion for double damages on Stryker's post-verdict sales (made in accordance with the Federal Circuit's stay of the injunction and subsequent vacation of the permanent injunction) based on the underlying willfulness finding. Since the Federal Circuit now acknowledges that the willfulness standard applied here conflicts with the higher "recklessness" standard required by this Court, it would be unfair to allow Stryker to continue to suffer the consequences from the unjustified finding of willfulness in this close case. A GVR order in this close case is appropriate.

CONCLUSION

For all of the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DECIDED APRIL 12, 2007

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1260, -1437

ACUMED LLC,

Plaintiff-Appellee,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORPORATION,

Defendants-Appellants.

DECIDED: April 12, 2007

Before GAJARSA, LINN, and MOORE, *Circuit Judges*.

Opinion for the Court filed by *Circuit Judge* GAJARSA. Dissenting opinion filed by *Circuit Judge* MOORE.

GAJARSA, *Circuit Judge*.

This patent infringement case deals with orthopedic devices for the treatment of fractures to the upper arm. Defendants Stryker Corp., Stryker Sales Corp., Stryker Orthopaedics, and Howmedica Osteonics Corp. (collectively,

"Stryker") appeal from the final judgment of the United States District Court for the District of Oregon, following a jury trial, finding Stryker liable to plaintiff Acumed LLC ("Acumed") for willful infringement of U.S. Patent No. 5,472,444 ("the '444 patent"). We affirm the district court's findings of infringement and willfulness, but vacate the permanent injunction issued against Stryker and remand for reconsideration in light of the Supreme Court's decision in *eBay Inc. v. MercExchange, LLC*, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006).

I. BACKGROUND

A. *The Technology and Patent*

Acumed is the assignee of the '444 patent, which is directed to an orthopedic nail for the treatment of fractures in the humerus (the upper arm bone which ends in the shoulder ball at top and the elbow joint at the bottom). In the most common form of fracture to this bone, the patient falls on top of his or her arm, breaking the shoulder ball (the "humeral cortex") off from the longer part of the bone (the "humeral shaft"). Sometimes the humeral cortex itself breaks into two or three pieces as well. *See* '444 patent col.1 ll.17-27. Orthopedic surgeons use nails like the one disclosed in the patent to treat this type of fracture by excavating a hole through the humeral cortex and down the humeral shaft, inserting the nail into the hole, then fixing it in place using bone screws that pass through holes in the nail. This procedure secures the bone pieces of the cortex to each other and to the shaft.

Appendix A

Claim 1 of the '444 patent contains every limitation disputed on appeal by the parties. It reads:

> An elongated tapered nail for securing fractures of the proximal humerus comprising:
>
> an elongated body having a *curved shank* configured to occupy an upper portion of the proximal humeral shaft, and a contiguous butt portion extending proximally from the shank and configured to occupy the humeral cortex;
>
> the butt portion being shorter than the shank and defining a plurality of at least three *transverse holes*, each defining a hole axis, with the three hole axes *angularly offset* from each other, such that the holes may receive fasteners attached to fragments of the humeral cortex.

'444 patent col.5 ll.44-50 (disputed terms emphasized).

B. *Stryker's Dealings with Opinion Counsel*

On August 28, 2002, Stryker's German patent attorney, Edo Graalfs, wrote a letter to his American counterpart, Raymond W. Augustin, regarding the humeral nail Stryker was in the process of developing. Graalfs expressed concern that the Stryker nail might infringe the '444 patent:

> [T]he independent claim 1 of this U.S. patent has a relatively brought [*sic*, "broad"] scope of protection. . . . I advised that the nail must not be

> provided with a curvature as this is a feature of independent claim 1. Now it turned out that for business reasons it would be a requirement to also use a curved shank. I expressed my doubts ... that it could be possible to find a structure not covered by the mentioned U.S. patent.

Augustin then placed a memorandum to file dated December 13, 2002, in which he echoed Graalfs' concerns:

> [T]he Stryker Trauma humeral nail would have each and every element of claim 1 . . . of the '444 patent. . . . [I]t is our opinion that there is no strong invalidity argument which could be used against all the '444 issued claims based on the prior art known at this time. . . . In conclusion, it is our opinion that a curved version of the Stryker Trauma humeral nail . . . should not be marketed in the United States.

Testimony at trial indicated that the Stryker nail eventually sold in the United States did not differ in any relevant respect from the design specifications reviewed by Graalfs and Augustin in writing these letters.

After his initial memorandum to file, Augustin drafted a formal opinion of counsel letter and transmitted it to Stryker on November 19, 2003. This opinion letter was longer and more detailed than the earlier memo to file. In it, Augustin concluded—using claim construction arguments basically identical to those made by Stryker during this litigation—that the Stryker nail would not infringe any claim of the '444

patent either literally or by equivalents. He also expressed a belief that Claim 1 of the '444 patent was invalid due to anticipation by an earlier Stryker product.[1]

At trial, Acumed presented evidence tending to show that Stryker did not seriously rely upon the later opinion letter from Augustin. For instance, Stryker filed with the FDA its application for the accused device on August 14, 2003, some months before Augustin transmitted the favorable opinion letter. Gregory Plakson, Stryker's Director of Intellectual Property, testified at his deposition that he did not understand portions of the opinion letter and did not ask Augustin anything about the opinion. Acumed also presented evidence tending to show copying by Stryker, including that a Stryker consultant "confiscated" from an operating room a how-to chart detailing the assembly and insertion of Acumed's product.

C. *Litigation background*

Stryker began to sell its accused humeral nail in the United States in early 2004. In April 2004, Acumed filed suit against Stryker in the District of Oregon, alleging infringement of Claims 1, 3-5, 10, 11, and 14-17 of the '444 patent. Following a *Markman* hearing, the district court construed the disputed terms. It defined "curved shank" as "a shank that has a bend or deviation from a straight line without sharp corners or sharp angles" and "transverse holes" as "holes across the butt portion of the nail." It also found that

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1. Stryker does not pursue any invalidity arguments in this appeal.

> the term "angularly offset from each other" means the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation.

Acumed LLC v. Stryker Corp., No. 04-CV-513-BR (D.Or. Oct. 14, 2004) ("*Order on Claim Construction*"). The case proceeded to jury trial on infringement, willfulness, and invalidity. The jury found that the asserted claims were valid, that Stryker's product literally infringed those claims, and that Stryker's infringement was willful. The district court denied Stryker's motion for judgment notwithstanding the verdict and awarded Acumed enhanced damages for willful infringement, increasing the damages found by the jury by fifty percent. It permanently enjoined Stryker from selling the accused device in the United States.

Stryker appeals the jury verdict of infringement and willfulness and the district court's grant of injunctive relief. This court has jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

II. DISCUSSION

A. *Standard of review*

A finding of patent infringement requires a two-step process: first, the court determines the meaning of the disputed claim terms, then the accused device is compared to the claims as construed to determine infringement.

Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed.Cir.1995), *aff'd*, 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). We review the construction step *de novo*. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1456 (Fed.Cir.1998) (*en banc*). When reviewing a district court's denial of a motion for judgment as a matter of law, we review the jury's factfinding on the infringement step for support by substantial evidence. *Id.* at 1454. Whether infringement is willful is a factual question that must be proven by clear and convincing evidence. *Comark Commc'ns v. Harris Corp.*, 156 F.3d 1182, 1190 (Fed.Cir.1998). To reverse a willfulness verdict, an infringer must show that there is not "substantial evidence to support the jury's finding of willfulness by clear and convincing evidence." *Id.*

B. *Claim Construction and Infringement*

1. "Curved shank"

The main dispute between the parties on construction relates to the claim requirement of a "curved shank," construed by the district court to mean a shank that "has a bend or deviation from a straight line without sharp corners or sharp angles." Stryker challenges that interpretation, arguing that the better reading of the term is "a nonangular continuous bend."

When construing claims, a court must begin by "look[ing] to the words of the claims themselves . . . to define the scope of the patented invention." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed.Cir.2005) (*en banc*) (quoting *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582

(Fed.Cir.1996)). The task of comprehending those words is not always a difficult one. "In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words." *Id.* at 1314. "[C]urved," as it is used in the '444 patent, is not a "term [] that ha[s] a particular meaning in a field of art." *Id.* Its ordinary meaning encompasses "curvature" made up of small discontinuities. Consider, for instance, an archway made from rectangular bricks. The bricks are at angles with respect to each other, but the overall effect is to describe an arc. It would be unreasonable to say that such an archway is not "curved." If the word "curved" is given its ordinary, lay meaning, the district court's construction is correct.

Stryker argues that "curved" is implicitly assigned a different, narrower meaning by virtue of the context in the written description in which it appears. *See id.* at 1316 ("[T]he specification may reveal a special definition given to a claim term by the patentee that differs from the meaning it would otherwise possess. In such cases, the inventor's lexicography governs."). That argument is based on a particular manner of implanting the nail disclosed and touted by the written description. The '444 patent's Summary of the Invention section states that "[t]he curved tapered shape of the present invention permits it to be inserted into a cavity formed by a broach tool having the same shape as the nail." '444 patent col.1 ll.49-51. A broach tool is "essentially a rasp having the same profile as the hole it is intended to form." *Id.* col.3 ll.27-28. The patent teaches that broaching

is advantageous, since, *inter alia*, it "generally causes less tissue damage than a rotating drill bit or reamer." *Id.* col.3 ll.32-33. However, "[b]roaching is only suitable for certain shapes of holes and objects"—in particular, it is useful only for an object that "largely pass[es] through its own envelope." *Id.* col.3 ll.37-40. "Objects with angled bends or small radius curves (relative to the object length) do not pass through their own envelope on insertion, and are not well suited to insertion into a broached hole." *Id.* col.3 ll.45-48.

Stryker's argument is essentially an assertion that since the patent says broaching is desirable, the term "curved" must be construed to cover only embodiments whose curvature allows them to be inserted into a broached hole, excluding "angled bends or small radius curves." That assertion is flawed: it is an attempt to import a feature from a preferred embodiment into the claims. *See Phillips*, 415 F.3d at 1323 ("[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments."). Neither use with a broaching tool nor suitability for such use is claimed. Indeed, the application which led to the '444 patent originally included claims to the method of implanting the nail with a broaching tool, but the patentee elected to withdraw those claims from the application after the Examiner noted they were directed to a separate, distinct invention.

The fact that usability with a broaching tool is merely a feature of a preferred embodiment provides sufficient grounds for refusing to read "curved" narrowly. We also note, though, that the patent's Claim 13 (not asserted by Acumed

in this case) covers "[t]he nail of claim 1 having a profile that substantially passes within its own envelope." '444 patent col.6 ll.26-27. "[T]he presence of a dependent claim that adds a particular limitation raises a presumption that the limitation in question is not found in the independent claim." *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 910 (Fed.Cir.2004); *see also Wengner Mfg., Inc. v. Coating Mach. Sys., Inc.*, 239 F.3d 1225, 1234 (Fed.Cir.2001); *Comark*, 156 F.3d at 1187; *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 1023 (Fed.Cir.1987). "That presumption is especially strong when the limitation in dispute is the only meaningful difference between an independent and dependent claim, and one party is urging that the limitation in the dependent claim should be read into the independent claim." *SunRace Roots Enter. Co. v. SRAM Corp.*, 336 F.3d 1298, 1303 (Fed.Cir.2003); *see also Ecolab Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1375-76 (Fed.Cir. 2002); *Wegner Mfg.*, 239 F.3d at 1233 ("Claim differentiation . . . is clearly applicable when there is a dispute over whether a limitation found in a dependent claim should be read into an independent claim, and that limitation is the only meaningful difference between the two claims."). If we were to give "curved" in Claim 1 the meaning which Stryker advances, Claim 1 would cover only nails that "substantially pass [] within [their] own envelope[s]." Such a restrictive reading would render Claims 1 and 13 identical in scope. Since independent claims are presumed to have broader scope than their dependents, the presumption is that Claim 1 should not be limited in the manner Stryker urges. For the reasons discussed above, that presumption has not been rebutted.

Stryker also argues that the district court's exclusion of "sharp corners or sharp angles" renders the construction insufficiently definite, since the court did not specify precisely how "sharp" is too sharp. However, a sound claim construction need not always purge every shred of ambiguity. The resolution of some line-drawing problems—especially easy ones like this one—is properly left to the trier of fact. *See PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed.Cir.1998) ("[A]fter the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact."); *Modine Mfg. Co. v. U.S. Int'l Trade Comm'n*, 75 F.3d 1545, 1554 (Fed.Cir.1996) (whether claim limitation requiring diameter of "about 0.040 inch" embodied held a matter of "technologic fact"); *see also Abbott Labs. v. Baxter Pharm. Prods., Inc.*, 471 F.3d 1363, 1368 (Fed.Cir.2006) (where result is the same under any reasonable construction, "we need not construe [the disputed] phrase with numerical exactitude."). Here, the accused product has a rounded-off six-degree angle in its shaft. A reasonable jury could have found that in the context of this sort of nail, a rounded bend of six degrees was not a "sharp angle." The jury's conclusion is bolstered by the testimony of Stryker's own technical expert, who noted in reference to the Stryker nail that "there's no sharp angle there." There may be some area of imprecision within the district court's "without sharp angles" construction, but this accused product is in no danger of falling within that area. The construction is correct, and the jury's finding that the Stryker nail possesses a "curved shank" is supported by substantial evidence.

2. "Transverse holes"

The district court defined "transverse holes" as "holes across the butt portion of the nail." Stryker argues that this claim term should be limited to holes that are perpendicular to the nail shaft, excluding from the claim scope holes that are tilted so that one end of the hole is vertically offset from the other end. Again, this argument is an improper attempt to read a feature of the preferred embodiment into the claims as a limitation.

Stryker's argument for a narrow reading of "transverse" stems from the fact that "[e]very description of the transverse holes in the '444 patent contemplates a perpendicular hole." This is a correct characterization of the patent: every figure which illustrates the holes shows them going perpendicularly through the shaft, and the written description characterizes the holes in Figure 2 as "perpendicular to the portion of the nail axis at the butt portion 14 of the nail." '444 patent col.2 ll.58-59. However, Figure 2 and the text characterizing it simply discloses a single, preferred embodiment of the invention. "[A]lthough the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments." *Phillips*, 415 F.3d at 1323; *see also Comark*, 156 F.3d at 1186-87.

The plain meaning of Claim 1 covers more than the particular embodiment shown in the figures. While the disclosed embodiment possesses "perpendicular" holes, the claim language covers all "transverse" holes—a word that does not necessarily imply right angles. Moreover, the

patentees' description of their preferred embodiment itself implies a difference between the words "perpendicular" and "transverse." The written description states that Figure 2 "illustrates a plurality of transverse holes, each of which is ... perpendicular to the portion of the nail axis at the butt portion 14 of the nail." '444 patent col.2 ll.56-59. This implies that a "transverse" hole need not be "perpendicular"—if it were, the patentee would not have needed to clarify that these holes, in addition to being transverse, were perpendicular to the nail axis. Just as in *Phillips*, where the asserted claim mentioned "steel baffles" and hence "strongly implie[d] that the term 'baffles' does not inherently mean objects made of steel," 415 F.3d at 1314, this usage of language is strong evidence that the patentee considered "transverse" and "perpendicular" to have distinctly different meanings.

The intrinsic evidence of the specification therefore suggests that the patentees knew how to restrict their claim coverage to holes passing through at right angles. They could have used the word "perpendicular," as they did in discussing their preferred embodiment. Instead, they chose a different term that implies a broader scope. The intrinsic evidence does not indicate that one of skill in the art would believe the patentees meant "perpendicular" when they said "transverse." There is very little indication that the patentees considered perpendicularlity important to their invention. The patentees tout the virtue of their preferred hole orientation only once, noting that "[t]he predictability of fracture modes makes the orientation of holes in the illustrated embodiment suitable *in most cases*." '444 patent col.4 ll.65-67 (emphasis added). Far from demonstrating that "the patentee[s] ... intend[ed]

for the claims and the embodiments in the specification to be strictly coextensive" with respect to this limitation, *Phillips*, 415 F.3d at 1323, this statement admits that the disclosed perpendicular hole orientation may not always be ideal. *See* '444 patent col.5 ll.2-4 (suggesting that, if holes are not "ideally situated, the surgeon may slightly rotate the nail to achieve a more favorable alignment"). Nowhere in the specification or the prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes.

The dissent states that the specification language which discloses only perpendicular holes should be determinative of the claim scope. In particular, it points to three instances in the written description where "transverse holes" are described as "perpendicular." Dissent at 812-13 (citing '444 patent col. 2 ll.57-59; col.3 ll.1-3; col.3 ll.9-11). All three of these instances appear in a textual description of the patent's Figure 2, indicating that the holes depicted in that figure are perpendicular to the nail axis. Thus, while the dissent emphasizes the fact that there are three references to "perpendicular" holes in the specification, its argument is ultimately premised on characteristics which the patentee has attributed to a single preferred embodiment. In the context of this patent, such an argument must be contradicted by "our repeated statements that limitations from the specification are not to be read into the claims." *Comark*, 156 F.3d at 1186; *see also id.* at 1187 ("[T]he language that [the defendant] argues should limit claim 1 is clearly found in the . . . patent's description of the preferred embodiment. It is precisely against this type of claim construction that our prior case law counsels.").

Appendix A

By highlighting the specification phrase "each of which is defined" and by describing that phrase as "important[ ]," Dissent at 814, the dissent appears to suggest that the patentee has in some sense imposed a limiting *definition* upon the word "transverse." But the use of the word "defined" here does not imply a lexicographic definition, especially not a definition of "transverse" to mean "perpendicular." Instead, the statement that the holes of the cited embodiment are "defined on . . . an axis" merely introduces the useful abstract concept of a "hole axis," later employed in the claims to describe the orientation of the holes with respect to each other. *See* '444 patent, Claim 1, col.5 ll.53-54 ("the three hole axes [are] angularly offset from each other . . ."). The claims repeatedly echo this form of usage of the word "define." *See, e.g.*, '444 patent Claim 1, col.5 ll.51-53 ("the butt portion . . . *defining* a plurality of at least three transverse holes, each *defining* a hole axis" (emphasis added)); Claim 2, col.5 ll.57-58 ("the curved shank includes a curved portion *defining* a curved central axis"); Claim 3, col.5 ll.60-61 ("the butt portion *defines* a central axis"). If the word "define" were always to be an important signifier of limitation, this claim language would indicate that the butt portion has been defined to be transverse holes, that those holes in turn have been defined as hole axes, and that the curved portion and butt portion—physical parts of the nail—have each been dubbed identical to an imaginary central axis. These interpretations are incorrect, but they are the natural consequence of finding a restrictive definition of a term anywhere the word "define" might appear in this patent, regardless of context. The specification does not define "transverse" and "perpendicular" to be coequal in meaning.

The fact that the term "transverse" has a broader scope than "perpendicular" also distinguishes this case from *Nystrom v. TREX Co.*, 424 F.3d 1136 (Fed.Cir.2005), relied upon by the dissent. *See* Dissent at 814-15. In *Nystrom*, "both parties acknowledge[d] the ordinary meaning of 'board' as 'a piece of sawed lumber,' " but the patentee sought to have that claim term "broaden[ed] ... to encompass relatively obscure definitions that are not supported by the written description or prosecution history." *Id.* at 1145. We refused to impose a construction broader than the term's ordinary meaning. *Id.* at 1145-46. Here, on the contrary, we decline to impose a construction *narrower* than the term's ordinary meaning.

The dissent cites to other patents whose usage of "transverse" arguably supports its conclusion. Dissent at 815-16. One of them, U.S. Patent No. 5,697,934, is purely extrinsic evidence and therefore merits little consideration. *See Phillips*, 415 F.3d at 1317. The other, U.S. Patent No. 4,475,545, is cited by the '444 patent and is part of the intrinsic record. However, it was not "created by the patentee in attempting to explain and obtain the patent." *Id.* Its usage is not that of this patentee, and so it also merits less weight than the evidence of the patentee's own words. While these patents merit some consideration, the specification and claims of the '444 patent itself should be given significantly greater weight. *Id.* (noting that prosecution evidence "is less useful for claim construction purposes").

A proper reading of the intrinsic evidence indicates that where the patentees discussed the perpendicular holes of their preferred embodiment, they were not narrowly defining the

term "transverse" or otherwise limiting the claims, but merely discharging their statutory duties "to teach and enable those of skill in the art to make and use the invention and to provide a best mode for doing so." *Phillips*, 415 F.3d at 1323. That preferred embodiment cannot be the only product covered by the claims; if it were, the claims themselves would be unnecessary. The district court's construction of "transverse holes" is correct.[2]

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2. Observing that the district court defined "holes" as "openings through the butt portion of the nail" and "transverse" as "being across or set crosswise," the dissent argues that these two definitions imply that "transverse holes" has been construed to mean "openings *through across* the butt portion of the nail." Dissent at 815. If the district court's definitions of those two words are so concatenated, that is indeed the result. We of course do not propound such a construction. Neither did the district court: after defining "transverse" and "holes," it defined the *phrase* "transverse holes" as "holes across the butt portion of the nail." *Order on Claim Construction* at 804. The construction of the disputed phrase as a whole is correct, and that construction is what we affirm today. Our *de novo* review means that we need not decide whether the logic or subsidiary definitions used by the district court to reach the correct construction were sound. Likewise, *de novo* review makes the atmospherics of the *Markman* hearing, *see* Dissent at 812-13, legally irrelevant here. We review only the district court's finished product, not its process. Furthermore, the dissent's criticism of that process contends that *Phillips* prohibited the district court from beginning its interpretive inquiry by consulting a dictionary. Dissent at 813 ("In accordance with *Phillips*, the interpretative inquiry should begin not with a dictionary definition. . . ."). Although in *Phillips* we rejected an approach in which a broad dictionary definition is adopted and then whittled down only if contradicted by the specification, 415 F.3d at 1321, we did not prohibit the use of dictionaries in claim construction, nor did we define at what point in the claim construction analysis they may be consulted.

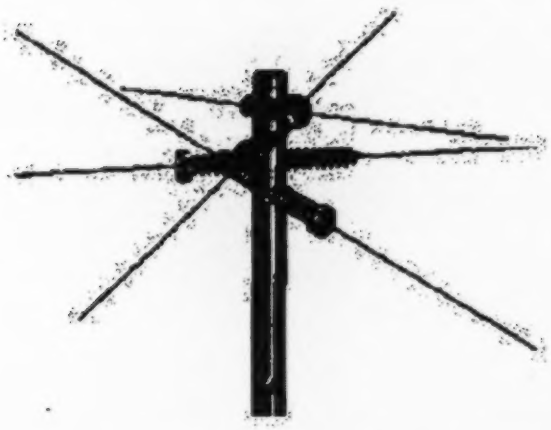
Appendix A

3. "Angularly offset"

As noted above, the district court interpreted the claim requirement that the hole axes be "angularly offset" to mean that "the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation." Neither party challenges this definition on appeal, but Stryker argues that its accused product does not fall within the definition.

Stryker's argument is geometrical in nature. A "hole axis" under the district court's definition is the imaginary line that passes through the center of one of the transverse holes. Stryker correctly points out that the axes thus defined by the accused product form "skew lines" which are neither parallel nor intersecting in three-dimensional space. Since those lines neither form angles nor run parallel with each other, Stryker suggests that its product falls outside the district court's definition. However, this argument ignores an essential part of that definition, which states that "an angle is formed . . . when [the hole axes are] *viewed in two dimensions.*" The district court's meaning here is clear: the hole axes need not *actually* intersect. It suffices that the axes *appear* to intersect in two dimensions. As an example, if the hole axes are sketched on a piece of paper (a two-dimensional view of the nail) and the lines of that drawing intersect, the product drawn meets the district court's definition of "angularly offset." It is totally clear that the hole axes of Stryker's product intersect when drawn on paper, a point well illustrated by Stryker's own diagram in support of its argument on this point:

Appendix A



This diagram, which represents the accused product, shows intersecting hole axes when viewed in two dimensions. The jury's finding that Stryker's product embodies the "angularly offset" claim limitation is therefore supported by substantial evidence.

4. Conclusion

Since the district court's claim construction is correct and there is substantial evidence to support the jury's finding that Stryker's product embodies each claim limitation at issue, the judgment of infringement is affirmed.

C. *Willful Infringement*

The jury found Stryker's infringement to be willful, despite the fact that Stryker admitted into evidence the November 19, 2003 opinion letter from Augustin which concluded that Stryker's product would not infringe. Favorable opinions of counsel normally present a well-grounded defense to willfulness, but the protection they afford is not absolute. "Those cases where willful

infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent." *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed.Cir.1992).

Willfulness is "not an all-or-nothing trait, but one of degree." *Comark*, 156 F.3d at 1182 (quoting *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1125-26 (Fed.Cir.1987)). Whether an infringer ignored the opinion of its counsel is, as part of the willfulness inquiry, also a question of degree. Evidence of the extent of that ignorance should be weighed by the factfinder together with the totality of the other circumstances surrounding the infringer's culpability. *See Comark*, 156 F.3d at 1191 (evaluating opinion of counsel within a totality of the circumstances).

Here, substantial evidence supports a finding that Stryker ignored the November 2003 opinion letter to an extent sufficient to permit willfulness to be found in these circumstances. Most notable is the fact that two patent attorneys, Graalfs and Augustin, had at first strongly discouraged Stryker from marketing the infringing nail in the United States. Despite that advice, Stryker continued to push towards a United States market entry, filing its FDA application months before it received Augustin's revised legal advice. Additionally, Acumed presented evidence that Stryker copied its product, including that Stryker arranged to "confiscate" a hospital room chart instructing doctors in the use of the Acumed nail.

There is evidence in the record tending against willfulness, such as the Augustin opinion letter itself and

the testimony of Stryker's Director of Intellectual Property that he ordered no sales be made in the United States until after the favorable opinion letter. However, it is for the jury, not this court, to determine the weight and credibility to be given to the evidence. *See Comark*, 156 F.3d at 1192 (court determining whether to overturn a jury verdict is "not required to assume that the jury believed all or indeed any . . . exculpatory evidence"). The jury here was free to disbelieve or weigh lightly evidence tending to show Stryker's reliance on the opinion letter and to place that evidence within the overall factual context of the case.

Substantial evidence supports the jury's finding that Stryker's infringement was willful. The judgment of willfulness is therefore affirmed.

D. *Permanent Injunction*

In ruling on the plaintiffs' motion for a permanent injunction, the district court applied "the general rule [in patent cases] that an injunction will issue, once infringement and validity have been adjudged . . . unless there are some exceptional circumstances that justify denying injunctive relief." Transcript of Record at 53, *Acumed, LLC v. Stryker Corp.*, No. CV-04-513 (D. Oregon Feb. 22, 2006). The Supreme Court has since struck down that general rule in *eBay v. MercExchange*, making clear that the traditional four-factor test for injunctions applies to patent cases. 126 S.Ct. at 1840.

Acumed argues that the facts found by the district court can serve as independent support for the injunction, even

without application of the old general rule. This court cannot express a position on that argument. If we were to weigh the evidence ourselves to reach a conclusion on injunctive relief, we would effectively be exercising our own discretion as if we were the first-line court of equity. That role belongs exclusively to the district court. Our task is solely to review the district court's decisions for an abuse of discretion. *See eBay*, 126 S.Ct. at 1839 ("The decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion."). Accordingly, the permanent injunction is vacated. On remand, the district court should reconsider the four-factor test as propounded by the Supreme Court's decision in *eBay* as to whether or not an injunction should issue.

III. CONCLUSION

The district court's claim construction and its findings of infringement and willfulness are affirmed. The permanent injunction is vacated and remanded.

AFFIRMED-IN-PART, VACATED-IN-PART, AND REMANDED

No costs.

Appendix A

MOORE, *Circuit Judge*, dissenting.

I agree with the majority's holding in all respects save one. I write separately to voice my disagreement with the majority's holding that the district court properly construed "transverse holes" in claim 1 of the '444 patent to mean "holes across the butt portion of the nail." Because the majority concludes that the district court's claim construction was proper, it affirms the court's finding of literal infringement. From that decision, I respectfully dissent.

At the outset, I note that I am troubled by the district court's clear reliance on a common English language dictionary, which was published ten years after the '444 patent issued to construe the term "transverse holes." During the claim construction hearing, the court explained that the dictionary would be "an aid to our work." The court not only used the dictionary as an "aid," but actually utilized the dictionary definitions as the starting point when defining each of the disputed claim terms.[1] Moreover, the court seemed to disregard the briefs in favor of off-the-cuff attorney argument during claim construction. In fact, when Stryker argued that

1. It should be noted that the claim construction hearing in this case occurred before this court's en banc decision in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed.Cir.2005). Thus, the district court may have been following the methodology described in *Texas Digital Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1201-02, (Fed.Cir.2002), which relied heavily on the use of dictionaries to ascertain the plain meaning of a claim term. After our *Phillips* decision, which clarified that the *Texas Digital* approach was not appropriate, the plaintiff asked the district court here to reconsider her claim construction, but that request was denied.

Acumed's attorneys were changing their claim construction during the course of the hearing, the district court responded: "Let's not worry about changing. I'm going to keep you all focused right on the task at hand. I don't care what happened before today. I care what's going on here." After hearing arguments from the parties regarding the disputed claim terms and on the appropriateness of the dictionary definitions, the district court resolved each issue orally during the hearing. One week later, the court issued a one-page formal Order on Claim Construction that simply reiterated the court's oral rulings. *Acumed LLC v. Stryker Corp.*, No. 04-cv-513-br (D.Or. Oct. 14, 2004).

While I acknowledge that there are not formal requirements for a district court's methodologies when conducting claim construction hearings and issuing related orders, I raise this concern because I believe the district court's methodology led it astray from determining the "the meaning that the term ["transverse holes"] would have to a person of ordinary skill in the art . . . in the context of the entire patent, including the specification." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed.Cir.2005) (en banc). When one properly begins this claim construction inquiry with the intrinsic evidence, rather than dictionary definitions, it is evident that the district court's construction of "transverse holes" is in error.

With respect to the claim term "transverse holes," the district court utilized the dictionary to first determine that a "hole" is "an opening through something." The district court then referred to the dictionary and found two definitions for the term "transverse": "(1) acting, lying, or being across: set

crosswise; (2) made at right angles to the anterior-posterior axis of the body." The district court concluded that we should construe the claim term in accordance with the broader of the two dictionary definitions [2] because there is no express disavowal of claim scope in the specification. This approach was specifically rejected by this court sitting en banc in *Phillips*, 415 F.3d at 1320, and we have continued to reject this approach to claim construction. *See On Demand Mach. Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1340 (Fed.Cir.2006).

In accordance with *Phillips*, the interpretive inquiry should begin not with a dictionary definition, but with the patent itself, to ascertain what an ordinarily skilled artisan reading the patent would understand the claim term to mean. *Phillips*, 415 F.3d at 1321. The intrinsic evidence provides no support for the broader of the two dictionary definitions set forth above (i.e., that "transverse" means "acting, lying, or being across; set crosswise"), but fully supports the narrower definition (i.e., that "transverse" means "made at right angles to the anterior-posterior axis of the body"). Each of the eight transverse holes described in the specification are specifically described as being perpendicular. *Id.* at col.2 ll.57-59 (describing "a plurality of transverse holes, each of which is defined on a respective axis intersecting the nail axis 22, and *perpendicular* to the portion of the nail axis at the butt portion 14 of the nail"); col.3 ll.1-3 ("transverse hole

2. The court emphasized that the broader definition appeared as the "number one" definition in Webster's dictionary. It should be noted, however, that this order is not indicative of importance or primacy, but merely reflects historical usage. Merriam-Webster's Collegiate Dictionary (11th ed.2003) 19a ("Order of Senses").

44a is oriented . . . *perpendicular* to the nail axis 22"); col.3 ll.9-11 ("the distal holes are . . . *perpendicular* to the butt end portion of the nail axis") (emphases added). The majority suggests that the use of both words "implies a difference between the words 'perpendicular' and 'transverse.' " Maj. Op. at 11. The majority contends that if transverse was meant to be construed as perpendicular, "the patentee would not have needed to clarify that these holes, in addition to being transverse, were perpendicular to the nail axis." *Id.* I disagree. First, the patentee used the two words to clearly specify which of the definitions of transverse applied to his invention; the purpose of using the word "perpendicular" was to *further describe what the inventor meant by the term* "transverse," not to distinguish it as the majority suggests. Second, to say that something is perpendicular also requires mention of a reference plane or line to which the object is located at a right angle. Here, the patent specification limits the discussion of "transverse holes" to holes having an axis perpendicular with respect to the nail axis at the butt portion. '444 patent, col.2 ll.56-59. That was the point of using the word perpendicular in the specification. Thus, by utilizing the word "transverse," the patentee did not need to repeat in the claim that each hole was perpendicular to the nail axis at the butt portion.

The specification describes "three sets of transverse holes." *Id.* at col.2 l.62. With reference to Figures 1 and 2 of the patent, reproduced below, the first set includes four proximal transverse holes (44a-44d), the second set is one intermediate transverse hole (46), and the third set includes three distal transverse holes (48a-48c). Each of these eight holes is then described and shown in the accompanying

figures as being perpendicular to the nail axis 22. *Id.* at col.2 l.56-col.3 l.11. Most importantly, the specification states that "a plurality of transverse holes *each of which is defined* on a respective axis intersecting the nail axis 22, and *perpendicular* to the portion of the nail axis at the butt portion 14 of the nail." *Id.* at col.2 ll.56-59 (emphases added). Thus, the specification limits each of the transverse holes by the common characteristic that each has an axis perpendicular to the nail axis at the butt portion.

There is not a single non-perpendicular, "transverse" hole shown or described in the patent. Construing "transverse" to include something other than perpendicular—in spite of the repeated, narrow usage of that term in the specification—would provide patent coverage that is broader than what the inventor actually invented and disclosed in his specification, which clearly should have been the starting point for claim construction. *Smith v. Snow*, 294 U.S. 1, 14, 55 S.Ct. 279, 79 L.Ed. 721, (1935) (stating "if the claim were fairly susceptible of two constructions, that should be adopted which will secure to the patentee his actual invention"). Since *Phillips*, we have repeatedly rejected the concept of construing claim terms to have meanings broader than the meaning derived from the intrinsic evidence. For example, in *Nystrom v. TREX, Co.* this court stated:

> [i]n the absence of something in the written description and/or prosecution history to provide explicit or implicit notice to the public—i.e., those of ordinary skill in the art—that the inventor intended a disputed term to cover more than the ordinary and customary meaning revealed by the context of the intrinsic record, it is improper to read the term to encompass a broader definition simply because it may be found in a dictionary, treatise, or other extrinsic source.

424 F.3d 1136, 1145 (Fed.Cir.2005); *see also Primos, Inc. v. Hunter's Specialties, Inc.*, 451 F.3d 841, 845, 847-48 (Fed.Cir.2006) (affirming district court's claim construction after district court rejected dictionary definition that was broader and inconsistent with the use of the claim term in the patent at issue); *Old Town Canoe Co. v. Confluence Holdings Corp.*, 448 F.3d 1309, 1318 (Fed.Cir.2006) (patentee is "not entitled to a claim construction divorced from the context of the written description and prosecution history"); *Atofina v. Great Lakes Chem. Corp.*, 441 F.3d 991, 996 (Fed.Cir.2006) (quoting *Free Motion Fitness, Inc. v. Cybex Int'l, Inc.*, 423 F.3d 1343, 1348-49 (Fed.Cir.2005) for the proposition that "in those circumstances where reference to dictionaries is appropriate, the [court's] task is to *scrutinize the intrinsic evidence in order to determine the most appropriate definition*" (emphasis added)); *In re Johnson*, 435 F.3d 1381, 1384 (Fed.Cir.2006) (citing *Phillips*, 415 F.3d at 1303 for the proposition that "[i]t is well established that dictionary definitions must give way to the meaning imparted by the specification"); *Network Commerce, Inc. v. Microsoft Corp.*, 422 F.3d 1353, 1359-60 (Fed.Cir.2005) (rejecting

proposed construction of the term "download component" based on the combination of two dictionary definitions as untenable "in light of the specification").

Patent scope should be coextensive with what the inventor invented as evidenced by what is disclosed in the patent specification. *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed.Cir.2001) (stating that the claims should not "enlarge what is patented beyond what the inventor has described as the invention"); *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1250 (Fed.Cir.1998) ("The construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction."). Thus, where, as here, the intrinsic evidence clearly provides one meaning for the term "transverse," it is inappropriate to give that term a broader interpretation, particularly where the only support for the broader interpretation is extrinsic evidence—in this case, a dictionary (which supports the narrower construction as well).

Moreover, the district court's interpretation of "hole," which neither party is challenging, makes the majority's interpretation of "transverse" redundant and nonsensical. The court found that the word " 'holes' in the phrase 'defining a plurality of at least three transverse holes,' means openings through the butt portion of the nail." *Claim Construction Order*, at 1. This makes sense in the context of orthopedic implants, because a hole is necessarily through the part, which in the case of an intramedullary nail is to accept a screw. Here, the majority's definition of "transverse" as "being across" is redundant when read together with the definition

of holes. It makes the phrase "transverse holes" mean "openings *through across* the butt portion of the nail." The majority's claim construction thus impermissibly renders the claim term "transverse" meaningless, a methodology that this court has repeatedly denounced. *Merck & Co. v. Teva Pharms. USA, Inc.*, 395 F.3d 1364, 1372 (Fed.Cir.2005) ("A claim construction that gives meaning to all the terms of the claim is preferred over one that does not do so."); *see also Bicon, Inc. v. Straumann Co.*, 441 F.3d 945, 950 (Fed.Cir.2006); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1307 (Fed.Cir.2005). Only if "transverse" requires perpendicularity does each claim term have a distinct meaning.[3]

That "transverse" means perpendicular in direction is further supported by other intrinsic evidence, namely, other patent references cited during prosecution of the '444 patent. For example, U.S. Patent No. 4,475,545, entitled "Bone Nail," discloses a pair of holes "passing through the nail in transverse relation to its longitudinal direction and both axes of the said both pairs of holes being located in different planes extending in transverse direction relative to the longitudinal direction of the nail." '545 patent, Abstract. The first hole is defined by the nail entrance 8' and exit 8. The second distal hole is defined by the nail entrance 9' and exit 9. As shown

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3. Claim 22, which indirectly depends from independent claim 19, further illustrates this point. Claim 22 recites "a plurality of second securement holes" in the butt portion of the claimed nail. These holes, like the transverse holes in claim 1, are required to go through the butt portion of the nail. But unlike the transverse holes, the securement holes need not be defined by an axis perpendicularly situated with respected to the nail axis at the butt portion.

in Figures 4 and 5, both of these holes are perpendicular to the longitudinal axis of the nail at the distal portion. The hole axes are similarly described as being located in a plane "normally extending relative to the longitudinal axis of the nail." '545 patent, col.3 ll.45-46. Thus, the usage of "transverse" in the '545 patent is consistent with the definition requiring perpendicularity.

The narrower definition of transverse is also more consistent with extrinsic evidence that demonstrates how those skilled in the art would understand the term. First, in another patent application filed within a year of the issue date of the '444 patent, the '444 patent's inventor, Randall Huebner, uses the word "transverse" in a way that clearly denotes perpendicularity in direction. There, as here, Mr. Huebner describes a "transverse hole" extending through a shaft, stating "the head [of the shaft] includes a hole extending therethrough in a direction generally transverse to the axis of the shaft." U.S. Patent No. 5,697,934, col.2 ll.45-46 (filed Dec. 2, 1996); *see also id.* at col.3 l.66-col.4 l.1 (describing another hole as "formed through head 50 with a central axis 54 generally transverse to elongate axis 38 of shaft 32"). Mr. Huebner's use of transverse in that application clearly shows a directional requirement implicit in the term "transverse" that is not encompassed in the broader definition accepted by the majority. Next, although the district court chose to rely exclusively on a general dictionary that was not contemporaneous with the patent, technical dictionaries, including one highly relevant to the field of orthopedic implants at the time the patent issued, define "transverse" as referring to a perpendicular direction. Dorland's Medical Dictionary defines transverse as "placed crosswise; situated

at right angles to the long axis of a part." Dorland's Illustrated Medical Dictionary 1735 (28th ed.1994).

Thus, the intrinsic and extrinsic evidence establish that the '444 patent's use of "transverse" is only consistent with the narrower definition rejected by the district court and the majority opinion. The only passage of the specification which the majority relies upon to support its broader interpretation of "transverse holes" is the language "[t]he predictability of fracture modes makes the orientation of holes in the illustrated embodiment suitable in most cases." The majority suggests that this language "admits that the disclosed perpendicular hole orientation may not always be ideal." Maj. Op. at 12. I respectfully submit that the majority has taken the language out of context and imparted a meaning to it that is not correct. The entire paragraph wherein this sentence is found is discussing Figure 4 and the orientation of the holes relative to each other around the circumference of the nail, not relative to the nail axis at the butt portion 22. That paragraph focuses on the need to orient the screws "to prevent rotation or axial movement of the nail" and discusses that the screws should be located on "opposite sides of the nail." '444 patent, col.4 ll.61-65. Hence, when the very next sentence of the specification refers to the "orientation of the holes," '444 patent, col.4 ll.65-67, it is doing so in the context of their placement around the nail.

Tellingly, the majority opinion offers no other support—intrinsic or extrinsic—for its construction, and in fact, offers no explanation at all for its conclusion that "the claim language covers all 'transverse' holes—a word that does not

necessarily imply right angles."[4] Maj. Op. at 11. What, if not the specification, is the majority using to determine the plain meaning of this term? The district court based its conclusion regarding the plain meaning of transverse on Webster's Dictionary, which it acknowledged supported both the definition across and perpendicular. In the present case, as in *Nystrom*, I see no reason why we should adopt one, broader, plain meaning of the term "transverse" when there is another plain meaning that is completely consistent with the intrinsic evidence. When one begins with the patent specification, in my opinion, there is no doubt which of the two meanings of "transverse" is correct.

The majority attempts to distinguish the *Nystrom* case as a case in which the patentee "sought to have [the] claim [at issue] 'broaden[ed] . . . to encompass relatively obscure definitions that are not supported by the written description or prosecution history.' " Maj. Op. at 14 (quoting *Nystrom*, 424 F.3d at 1145). The majority suggests that in *Nystrom* "[w]e refused to impose a construction broader than the term's ordinary meaning." Maj. Op. at 14. In this case, the Webster's Dictionary which provided the basis for the district court's determination of the term's ordinary meaning included two definitions for the term transverse (across and perpendicular). Even the district court acknowledged both definitions. In this case, we must choose between two plain meanings of the word "transverse." As in *Nystrom*, we should

4. The majority's observation that "[n]owhere in the specification or the prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes," Maj. Op. at 12, only underscores the absence of a written description broad enough to support the meaning that they attribute to the claim term "transverse."

interpret the claim term by reference to the specification and refuse to read the term "transverse" as encompassing meanings unsupported by even a modicum of intrinsic evidence; otherwise we give the patentee more than what was invented and disclosed to the public.

Even if I did not read the intrinsic record to clearly support the narrower of the two plain and ordinary meanings of the term "transverse," I would still be compelled by our precedent to conclude that the narrower meaning applies to this limitation. In *Athletic Alternatives, Inc. v. Prince Manufacturing, Inc.*, this court was presented with a case in which there were two plain and ordinary meanings of a term. 73 F.3d 1573, 1579 (Fed.Cir.1996). The court was at an impasse after concluding that the specification, the prosecution history and the doctrine of claim differentiation did not provide guidance on what the plain meaning of the claim term at issue was. *Id.* at 1579-81 (concluding that "the specification is completely silent with regard to the meaning" of the claim term; that there were "[t]wo strong and contradictory interpretative strands run[ning] through the patent's prosecution history ... [that] together ... are irreconcilable;" and that after analyzing claim differentiation "we [were] left with two equally plausible meanings of Claim 1"). Faced with such a conundrum, we resorted to the statutory basis for the claims themselves, 35 U.S.C. § 112, ¶ 2, and concluded that

> [w]ere we to allow [the patentee] successfully to assert the broader of the two senses of [the claim term] against Prince, we would undermine the fair notice function of the requirement that the

> patentee distinctly claim the subject matter disclosed in the patent from which he can exclude others temporarily. Where there is an equal choice between a broader and a narrower meaning of a claim, and there is an enabling disclosure that indicates that the applicant is at least entitled to a claim having the narrower meaning, we consider the notice function of the claim to be best served by the narrower meaning.

Id. at 1581.

Even if the specification was completely silent on whether the transverse holes had to be perpendicular to the nail axis at the butt portion of the nail—which, as discussed above, I do not believe it is—we must, according to our precedent, adopt the narrower of the two plain and ordinary meanings of the word "transverse." *Accord Athletic Alternatives*, 73 F.3d at 1581. The majority's rejection of Stryker's claim construction position as "an improper attempt to read a feature of the preferred embodiment into the claims as a limitation," fails to identify any language in the specification that demonstrates that the patentee contemplated anything more than transverse holes that are perpendicular to the nail axis at the butt portion. Thus, even adopting the majority's view of the intrinsic record, I cannot agree with their conclusion.

Based on the foregoing, I conclude that the district court's construction of the term "transverse holes" was improper and should be reversed. The term "transverse holes" in claim 1 of the '444 patent should be interpreted as "openings

through the butt portion of the nail oriented perpendicularly with respect to the longitudinal axis of the butt portion." Because the uncontested evidence shows that the alleged infringing products do not literally infringe claim 1 of the '444 patent as properly construed, a remand on that issue would not be necessary. Acumed could, however, argue that Stryker's T2 PHN products infringe claim 1 of the '444 patent under the doctrine of equivalents.[5] Accordingly, I would reverse the judgment of literal infringement and remand for proceedings with respect to infringement under the doctrine of equivalents.

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5. Although Stryker argues that Acumed waived the doctrine of equivalents with respect to this claim element because it did not assert that theory at trial under the court's claim construction, that statement is incorrect. *See Exxon Chem. Patents, Inc. v. The Lubrizol Corp.*, 137 F.3d 1475, 1479 (Fed.Cir.1998) (determining that plaintiff did not waive equivalents arguments where the court's claim construction made a doctrine of equivalents argument under any other claim construction "moot").

APPENDIX B — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DENYING PETITION FOR REHEARING FILED JUNE 5, 2007

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellants, and a response thereto having been invited by the court and filed by the Appellee, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 12, 2007.

FOR THE COURT,

s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: 06/05/2007

APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT FILED MARCH 16, 2006

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1260

ACUMED LLC,

Plaintiff-Appellee,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, HOWMEDICA OSTEONICS CORPORATION, and STRYKER ORTHOPAEDICS,

Defendants-Appellants.

ON MOTION

Before MICHEL, *Chief Judge*, LOURIE and GAJARSA, *Circuit Judges.*

LOURIE, *Circuit Judge.*

ORDER

Stryker Corporation et al. (Stryker) move for a stay, pending appeal, of the permanent injunction entered by the United States District Court for the District of Oregon on February 23, 2006. Acumed, LLC (Acumed) oppose.

Appendix C

Acumed sued Stryker for infringement of its patent relating to a humeral nail for fixing humeral fractures. A jury found infringement and the district court enjoined Stryker from, inter alia, selling several models of its T2 Proximal Humeral Nail. Stryker moves for a stay of the injunction pending appeal.

In deciding whether to grant a stay or injunction, pending appeal, this court "assesses the movant's chances of success on the merits and weighs the equities as they affect the parties and the public." *E. I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987). *See also Standard Havens Prods. v. Gencor Indus.*, 897 F.2d 511 (Fed. Cir. 1990). To prevail, a movant must establish a strong likelihood of success on the merits or, failing that, nonetheless demonstrate a substantial case on the merits provided that the harm factors militate in its favor. *Hilton v. Braunskill*, 481 U.S. 770, 778 (1987). The harm factors are (1) whether the applicant will be irreparably harmed absent a stay, (2) whether issuance of a stay will substantially injure the other parties interested in the proceeding, and (3) where the public interest lies. *Standard Havens*, 897 F.2d at 512.

Stryker argues that the district court likely erred in its claim construction and that the harm factors tip strongly in its favor, particularly the public interest. Stryker attaches declarations from a number of doctors who state that when treating patients with nail implants, they generally prefer Stryker's T2 humeral nail products and that it would be in the best interest of their patients to have continued access to the products. With respect to harm to Acumed, Stryker points out that Acumed has licensed other competitors and thus

shown that it is not maintaining exclusive rights to itself in the marketplace. Stryker states that it is willing during the pendency of the appeal to deposit quarterly in an escrow account an amount of $455.66 per unit as determined by the jury as damages for past infringement, multiplied by the quantity of T2 proximal humeral nails sold during that quarter.

All the stay factors are important in determining whether to grant or deny a motion for a stay, pending appeal. However, the public interest is sometimes a particularly important factor when the products involved in a patent suit are medical devices or methods. Because this is such a case and the other stay factors tip in Stryker's favor, we grant Stryker's motion for a stay conditioned on its offer to deposit funds in an escrow account.

Accordingly,

IT IS ORDERED THAT:

(1) Stryker's motion for a stay, pending appeal, is granted.

(2) Stryker is directed to deposit into an escrow account, set up through the district court, the amount as discussed above.

MARCH 16, 2006
Date

FOR THE COURT

s/ Alan D. Lourie
Alan D. Lourie
Circuit Judge

APPENDIX D — JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED APRIL 20, 2006

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

Judge Anna J. Brown

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORPORATION,

Defendants.

JUDGMENT

This case having been tried and a verdict having been returned in favor of plaintiff, Acumed LLC, on September 20, 2005 finding that defendants, Stryker Corporation, Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation (collectively "Stryker"), did not prove that any of the asserted claims are invalid because of indefiniteness, anticipation and obviousness. In addition, the jury found that Acumed proved that Stryker's T2 Proximal Humeral Nail infringed claims 1, 3-5, 10, 11,

14-17 of United States Patent No. 5,472,444. The jury also returned a verdict against Stryker finding that its infringement was willful. To compensate Acumed for the infringement, the jury found that Acumed is entitled to lost profits on 60% of Stryker's sales for a total of $419,683.00 and a reasonable royalty rate of 14% for certain of Stryker's sales for a total of $39,170.00.

IT IS HEREBY ORDERED, that judgment be entered as follows:

Acumed LLC is awarded enhanced damages of fifty-percent of the total amount of damages awarded by the jury for the reasons set forth in the Court's Opinion and Order dated April 17, 2006. The jury awarded Acumed $458,853.00 and, therefore, the total enhanced award is $688,280.00. In addition, Acumed is awarded prejudgment interest in the amount of $20,517.00 (through April 17, 2006). Said prejudgment interest will be paid in addition to the $688,280.00 already awarded.

Hence, final judgment on the jury verdict shall be entered in favor of Acumed LLC, and against Stryker Corporation, Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation, in the amount of $708,797.00.

DATED: 4/20/06

ENTERED:

s/ Anna J. Brown
Honorable Anna J. Brown
United States District Judge

APPENDIX E — ORDER ON CLAIM CONSTRUCTION OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED OCTOBER 14, 2004

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION and
STRYKER SALES CORPORATION,

Defendants.

ORDER ON CLAIM CONSTRUCTION

This matter coming before the Court for a *Markman* hearing on October 7, 2004 on the disputed terms of U.S. Patent No. 5,472,444, it is hereby ORDERED, for the reasons expressed by the Court during the hearing, that the disputed claim terms are construed as follows:

1. The "shank" is the portion of the rod or nail extending from the butt of the nail.

2. A "curved shank" is a shank that has a bend or deviation from a straight line without sharp corners or sharp angles.

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3. "Holes" (in the phrase "defining a plurality of at least three 'transverse holes'") means openings through the butt portion of the nail. "Transverse" in the same phrase means "being across" or "set crosswise." "Transverse holes," therefore, means holes across the butt portion of the nail.

4. In the phrase "with the three hole axes angularly offset from each other," the term "angularly offset from each other" means the axes of the three holes are spaced apart from each other, an angle is formed by the axes of any two such holes when viewed in two dimensions from the butt end or from the side, and the axes are not aligned in a parallel orientation.

Dated:

14 October, 2004

ENTERED:

s/ Anna J. Brown
Honorable Anna J. Brown

APPENDIX F — ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED AUGUST 8, 2005

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

CV 04-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

ORDER

BROWN, Judge.

This matter comes before the Court on Defendants' Motion for Reconsideration of Order on Claim Construction (#95). Defendants argue the Federal Circuit's recent decision in *Phillips v. AWH Corp.*, Nos. 03-1269, 03-1286, 2005 WL 1620331 (Fed. Cir. Jul. 12, 2005), requires the Court to reconsider its claim construction rulings in this action.

For the reasons that follow, the Court **DENIES** Defendants' Motion.

Appendix F

In *Phillips*, the Federal Circuit affirmed the claim construction methodology previously set forth in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), and *Vitronics v. Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996), and clarified the proper use of dictionaries in claim construction. The *Phillips* court stated:

> The underlying goal of our decision in *Vitronics* was to increase the likelihood that a court will comprehend how a person of ordinary skill in the art would understand the claim terms. In that process, we recognized that there is no magic formula or catechism for conducting claim construction. Nor is the court barred from considering any particular sources or required to analyze sources in any specific sequence, as long as those sources are not used to contradict claim meaning that is unambiguous in light of the intrinsic evidence.

2005 WL 1620331, at *16.

The *Phillips* court reiterated the importance of the intrinsic record in the claim construction process and cautioned trial courts not to elevate extrinsic sources, especially dictionaries, above unambiguous specification language. *Id.*, at *13-14. The court rejected the methodology set forth in *Texas Digital v. Systems, Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1201-02 (Fed. Cir. 2002), because it improperly restricted the role of the patent specification in claim construction.

Appendix F

Defendants contend the Court's claim construction in this case must be reconsidered in light of *Phillips* because "the Court relied heavily on dictionary definitions . . . [and] did not give appropriate weight to the context in which those terms were used throughout the patent specification."

This Court, however, followed the methodology of *Vitronics* when it construed the disputed claim terms in this matter. Although the Court utilized a dictionary in the claim construction process, it did not elevate the dictionary meanings over unambiguous patent specification language. The Court carefully examined the patent specification at every step of the claim construction and used a dictionary to help clarify ambiguous terms.

Accordingly, the Court concludes *Phillips* does not require the Court to reconsider its claim construction rulings in this matter, and the Court, therefore, **DENIES** Defendants' Motion for Reconsideration of Order on Claim Construction (#95).

IT IS SO ORDERED.

DATED this 8th day of August, 2005.

/s/ Anna J. Brown
ANNA J. BROWN
United States District Judge

APPENDIX G — JURY VERDICT DATED SEPTEMBER 20, 2005

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

Case No. 04-CV-513-BR

ACUMED LLC,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

VERDICT

We, the jury, unanimously answer these Verdict Questions as follows:

1. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON INDEFINITENESS:

Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as indefinite?

Yes ____ No ✓

Proceed to Question 2.

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2. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON ANTICIPATION:

2A. Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as anticipated by the Alta Humeral/Tibial Nail with Locking Tab?

	Yes, Proven Invalid	No, Not Proven Invalid
Claim 1	_____	✓

If you answer "no," proceed to Question 3.

* * *

3. AS TO DEFENDANTS' BURDEN TO PROVE INVALIDITY BASED ON OBVIOUSNESS:

3A. Do you find Defendants have proved by clear and convincing evidence that Claim 1 of the '444 patent is invalid as obvious in view of (1) the Alta Humeral/Tibial Nail with Locking Tab alone or in combination with either or both the Biomet Uniflex or the Greene U.S. Patent No. 5,248,313; or (2) the Biomet Uniflex and the Greene U.S. Patent No. 5,248,313 combined?

	Yes, Proven Invalid	No, Not Proven Invalid
Claim 1	_____	✓

* * *

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4. AS TO PLAINTIFF'S BURDEN TO PROVE INFRINGEMENT:

4A. Do you find Plaintiff has proved by a preponderance of the evidence that Defendants have infringed Claim 1 of the '444 patent?

	Yes - Proven Infringed	No - Not Proven Infringed
Claim 1	✓	

If you answer "no," then your verdict is for Defendants. Do not answer any further questions. Your Presiding Juror should sign and date the Verdict.

If you answer "yes," proceed to Question 4B.

4B. Do you also find Plaintiff has proved by a preponderance of the evidence that Defendants have infringed any of the following additional claims? Please answer as to each claim.

	Yes, Proven Infringed	No, Not Proven Infringed
Claim 3	✓	
Claim 4	✓	
Claim 5	✓	
Claim 10	✓	

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Claim 11	✓	
Claim 14	✓	
Claim 15	✓	
Claim 16	✓	
Claim 17	✓	

Proceed to Question 5.

5. AS TO PLAINTIFF'S BURDEN TO PROVE WILLFULNESS:

If you found infringement of any claim of the `444 patent, do you find that Plaintiff has proved by clear and convincing evidence that Defendants' infringement of such claim(s) was willful?

Yes ✓ No _____

Proceed to Question 6.

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6. AS TO PLAINTIFF'S BURDEN TO PROVE DAMAGES:

Has Plaintiff proved by a preponderance of the evidence that it is entitled to lost profits damages? If so, what portion of Defendants' sales has Plaintiff proved that it would have made?

_✓_ Yes, Plaintiff has proved that it is entitled to lost profits on 60% of Defendants' sales.

If you answer "yes," what are Plaintiff's lost profits damages?

$419,683.00

____ No, Plaintiff has not proved entitlement to lost profits.

Proceed to Question 7.

7. Plaintiff has proved by a preponderance of the evidence that it is entitled to a reasonable royalty rate of 14% from which we find $39,170.00 reasonable royalty damages.

Once you have answered unanimously all required questions, your Presiding Juror should sign and date this Verdict.

Dated this 20 day of September, 2005.

s/ Elisabeth Nelson
Presiding Juror

APPENDIX H — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED APRIL 17, 2006

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

No. 04-CV-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORP.,

Defendants.

OPINION AND ORDER

BROWN, Judge.

This matter comes before the Court on Plaintiff Acumed LLC's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284 (#163).

For the reasons that follow, the Court **GRANTS in part** and **DENIES in part** Acumed's Motion and awards Acumed a fifty-percent enhancement of damages determined by the jury for a total award of $688,280. The Court also awards Acumed prejudgment interest in the amount of $20,517.

Appendix H

PROCEDURAL BACKGROUND

In April 2004, Acumed brought this action against Defendants for infringement of United States Patent No. 5,472,444 ('444 Patent). The '444 Patent describes a humeral nail used for the treatment of bone fractures, specifically for the fixation of fractures of the proximal humeral cortex. Acumed manufactures and sells patented humeral nails under the names Polarus and Polarus Plus. Acumed alleged Defendants infringed the '444 Patent by manufacturing, using, selling, importing, and offering for sale their T2 Proximal Humeral Nail.

The case was tried to a jury on September 13-20, 2005. On September 20, 2005, the jury found in favor of Acumed. In response to special verdict questions, the jury found the '444 Patent was valid and that Defendants willfully infringed Claims 1, 3-5, 10, 11, and 14-17 of the '444 Patent. The jury awarded Acumed damages in the form of lost profits in the amount of $419,683.00 and a reasonable royalty in the amount of $39,170.00.

On February 22, 2006, the Court heard oral argument on the following four post-trial motions:

1. Acumed's Motion for Permanent Injunction (#161);

2. Defendants' Motion for Stay of Injunctive Relief Pending Appeal (#172);

3. Defendants' Motion for JMOL or a New Trial on the Issues of Infringement, Willfulness, and Lost Profits (#174); and

4. Acumed's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284.

At the hearing, the Court resolved the first three Motions on the record. Accordingly, this Opinion and Order addresses only Acumed's Motion for Treble Damages.

STANDARDS

In a patent action, the court may "increase the damages up to three times the amount found or assessed." 35 U.S.C. § 284. Enhanced damages are punitive rather than compensatory. *SRI Int'l, Inc. v. Advanced Tech. Lab., Inc.*, 127 F.3d 1462, 1464 (Fed.Cir.1997). When willful infringement has been found, "the enhancement of damages and the amount thereof remains within the discretion of the court." *Id.* at 1468-69.

> The principal considerations in enhancement of damages are the same as those of the willfulness determination, but in greater nuance as may affect the degree of enhancement. Thus egregiousness of the infringer's conduct may receive greater emphasis, as may any mitigating factors. All aspects relevant to a particular case should be given the weight appropriate to their substance. A broad range of discretion is reposed in the trial court, founded on this need to weigh and balance multiple factors in determining a just remedy.

Id. at 1469.

A finding of willful infringement, however, does not mandate enhancement of damages. *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed.Cir.1992). The paramount consideration when deciding whether to grant enhancement "is the egregiousness of the defendant's conduct based on all the facts and circumstances." *Id.*

Courts may consider various factors when deciding whether to enhance damages, including the following:

1. whether the infringer deliberately copied the ideas or design of another,

2. whether the infringer investigated the scope of the patent and formed a good-faith belief that it was invalid or not infringed,

3. the infringer's behavior as a party to the litigation,

4. the infringer's size and financial condition,

5. the closeness of the case,

6. the duration of the defendant's misconduct,

7. any remedial action taken by the defendant,

8. the defendant's motivation for harm, and

9. whether the defendant attempted to conceal its conduct.

Read, 970 F.2d at 827.

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DISCUSSION

A. Enhancement of Damages

As noted, after a five-day trial, the jury concluded Defendants willfully infringed the '444 Patent when they marketed and sold the T2 nail. The jury awarded Acumed damages for lost profits and a reasonable royalty. Acumed now argues the Court should treble the jury's damages award due to Defendants' egregious conduct.

The Court has considered the evidence in the record and the parties' written and oral arguments as to the application of the factors set forth in *Read* and finds the following:

1. Defendants' Deliberate Copying

Defendants do not deny they set out to develop a device similar to the Polarus in order to achieve the same purpose as the Polarus; namely, the fixation of proximal humeral fractures. In their early planning for a proximal humeral nail device, Defendants considered two different designs: a curved-nail design based on the Polarus nail and a straight-nail design based on the Aesculap nail. Defendants' nail design, like the Polarus, specified a precise length of 150 millimeters. There was not another device on the market with that precise dimension. Defendants ultimately decided to proceed with the curved-nail design.

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In its patent application for the T2 nail, Defendants state they learned about its design features by means of the '444 Patent. In their application, Defendants state:

> This invention is related ... to a humeral nail having a plurality of holes being angularly offset, both in a plane perpendicular to the nail axis and at an angle to that plane. . . . A humeral nail of the described type has become known from U.S. Patent No. 5,472,444.

In addition, in their 510(k) application to the Food and Drug Administration for approval of the T2 nail, Defendants referenced the Polarus nail. Acumed also presented evidence at trial that Joseph DiCicco, a Stryker employee, "confiscated" an otherwise confidential Polarus operating-room chart from a hospital. The chart described how to use the Polarus nail.

On this record, the Court finds there is sufficient evidence to establish that Defendants deliberately copied the Polarus nail. This factor, therefore, weighs in favor of enhancement of Acumed's damages.

2. Defendants' Investigation and Good-Faith Belief that They Did Not Infringe the '444 Patent

Defendants received warnings from two different lawyers that the "curved-shank" design would infringe the '444 Patent. In a letter dated November 14, 2002, Edo Graalfs, Stryker's German patent attorney, asked Raymond Augustin, Stryker's United States patent attorney, to "find out whether

. . . it might be possible to find a structure for a nail not covered by" the '444 Patent. On December 13, 2002, Augustin wrote a "memo to file" in which he states the proposed design of the T2 nail would infringe the '444 Patent and should not be marketed in the United States.

In spite of these two initial warnings, Defendants proceeded with the curved-nail design for "business reasons." Those business reasons included specific goals to "attack" Acumed, to target existing Polarus accounts, and to "take 75% of the Acumed business by the end of the first year in the market."

On November 19, 2003, however, Augustin issued a formal, written opinion in which he concluded the T2 nail did not infringe the '444 Patent because the T2 nail does not have a "curved shank" and, even if a court should find the T2 had a curved shank, the '444 Patent was likely to be invalid as anticipated by the "Alta with Locking Tab" device. Acumed argued at trial that Augustin's opinion was obtained by Defendants only to justify their planned infringement of the '444 Patent and the opinion did not provide a reasonable basis for Defendants to believe the T2 did not infringe.

To reach the conclusion that Defendants' infringement was willful, the jury was required to find by clear and convincing evidence that Defendants acted in disregard of the '444 Patent and lacked a reasonable basis to believe they had a right to market the T2 nail. *See Amstead Indus. v. Buckeye Steel Casing*, 24 F.3d 178, 181 (Fed.Cir.1994). Even after hearing evidence about Augustin's second opinion, the jury found Defendants' infringement was willful. Thus, the

jury implicitly rejected Defendants' arguments that they had a good-faith belief the patent was not infringed or, in any event, that the patent was invalid. The Court, nonetheless, does not conclude from this record that Defendants egregiously ignored an objectively unreliable legal opinion. The Court, therefore, finds this factor standing alone does not warrant enhancement of Acumed's damages.

3. Defendants' Litigation Conduct

Acumed contends Defendants' conduct during both the pretrial phase of the case and the trial warrants an enhancement of damages. Specifically, Acumed asserts deposition conduct by Defendants' counsel, Defendants' repeated motions for reconsideration, their written discovery responses, and their trial conduct were egregious.

A. Conduct during Depositions

During several depositions, Gregory Vogler, Defendants' attorney, repeatedly interrupted Acumed's lawyer and told him that he was asking "stupid questions," called Acumed's attorney a "rookie lawyer," and told him at one point to "go talk to your senior lawyer that knows how to take a deposition and he might help you." Although Vogler apologizes and acknowledges responsibility in response to Acumed's Motion for Treble Damages, Defendants also assert Vogler's inappropriate comments "were made during an arduous week of depositions" and these isolated comments did not rise to a level of misconduct sufficient to support enhanced damages in the context of the massive number of deposition questions asked by Acumed.

As the Court noted at oral argument, Vogler's conduct as reflected in the deposition transcripts was unacceptable, unprofessional, and completely inexcusable. The Court condemns the conduct of Stryker's counsel but concludes such conduct standing alone does not warrant enhancement of damages.

B. Conduct During Discovery

Acumed argues Defendants denied nearly all of Acumed's Second Set of Requests for Admission without a good-faith basis to do so and failed to supplement their discovery responses to disclose Defendants' launch of the T2 Long nail. The Court, however, is not persuaded Defendants engaged in discovery misconduct to a degree that warrants enhancement of damages.

C. Motions for Reconsideration and Conduct During Trial

Acumed asserts Defendants' two motions for reconsideration are evidence of litigation misconduct that supports enhanced damages. Acumed also argues Defendants continued to make the same claim construction arguments during trial that the Court rejected in its claim-construction rulings to the degree that Defendants effectively ignored the Court's rulings. In addition, Acumed argues Defendants' witnesses were impeached at trial with their prior sworn testimony "an extraordinary number of times." Acumed also asserts Peter Prager, Stryker's Director of Product Development, testified falsely on a number of points, including his statements that Stryker's repeated references

to the T2 as "curved" were a mistake and his testimony that any similarities between the T2 and the Polarus were "sheer coincidence."

The Court finds Defendants' conduct constituted stubborn and unsuccessful advocacy of Defendants' theories of the case at worst and, therefore, does not warrant enhancement standing alone.

In summary, the Court is not persuaded the record establishes that Defendants' conduct during this litigation was in bad faith or otherwise sufficiently egregious to warrant enhancement of damages.

4. Defendants' Size and Financial Condition

Stryker is the largest orthopaedic implant company in the world with 2004 sales in excess of $4 billion. Acumed contends Stryker's size and profits allowed Defendants to "roll the dice" in this litigation with impunity and in the hope that Acumed would be forced to give up. Acumed argues trebling of damages is appropriate when a "market behemoth" such as Stryker engages in willful infringement.

The Court agrees Stryker's size and financial condition made it possible for Defendants to pursue this litigation with particular agression. In addition, enhancing Acumed's damages would not be an undue hardship to Defendants. Accordingly, the Court concludes this factor weighs slightly in favor of enhancement of damages.

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5. Closeness of the Case

The Court finds the issues of infringement and willfulness presented classic jury questions. The evidence did not overwhelmingly favor either side, and the jury could have rejected Acumed's claims. In other words, this was a close case on many issues, including the willfullness of Defendants' infringement.

Accordingly, the Court finds enhancement of damages based on this factor would result in punishing Defendants for going to trial and seeking to provie legitimate defenses. The Court concludes, therefore, this factor weighs against enhancement of damages.

6. Duration of Defendants' Misconduct

Acumed argues Defendants' misconduct started in early 2002 when their attempt to buy Acumed was rebuffed, and their misconduct continued even after the verdict. Acumed, however, brought this action shortly after Defendants first marketed the T2 nail. Defendants launched the T2 nail in early 2004 and Acumed filed this action in April 2004. The case came to trial without undue delay. Defendants' infringement, therefore, did not continue for an excessive length of time.

Accordingly, the Court concludes this factor does not weigh in favor of enhancement of damages.

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7. Remedial Action by Defendants

Acumed argues enhancement of damages is warranted because Defendants did not immediately remove the T2 nail from the market after the jury's verdict in September 2005. Defendants, however, have disputed the jury's findings and filed timely post-trial motions to contest the verdict. Due to the numerous post-trial motions, the Court did not enter an injunction until February 23, 2006. Moreover, the Federal Circuit now has stayed the injunction pending Defendants' appeal.

The Court concludes Defendants' actions in vigorously pursuing its right to contest the verdict do not support enhancement of damages.

8. Defendants' Motivation for Harm

There is evidence in the record from which a rational juror could conclude Defendants set out on a deliberate course to eliminate their competition after Defendants were unable to buy Acumed outright. This evidence includes statements by Stryker that it planned to "attack competitors," to "eliminate the Polarus," and to "target existing Polarus accounts." In addition, Acumed argues Rosemary Buckle, M.D., an orthopaedic surgeon and Stryker's medical consultant, deliberately decided not to use the Polarus cap screw to prevent screw back-out because she wanted to bolster the evidence that the Polarus nail had problems and, thereby, to create a demand for the T2 nail. Acumed essentially accuses Dr. Buckle of jeopardizing the health of her patients in order to prove the Polarus had problems.

The Court finds the record does not support this accusation, and, therefore, the Court does not consider this argument in reaching its conclusion. The Court, however, concludes the evidence of Defendants' apparent goal of eliminating Acumed in combination with Defendants' size and financial condition relative to Acumed weighs in favor of enhancement of damages.

9. Defendants' Concealment of Their Infringement

Acumed argues Defendants attempted to conceal their infringement by failing to supplement their discovery responses regarding Stryker's launch of the T2 Long nail and by asserting various positions at trial. The Court, however, does not find Acumed's arguments persuasive. Acumed made a tactical decision early in this case not to include any claims based on the T2 Long nail. Moreover, the record does not establish Defendants took any extraordinary steps to conceal their infringement of the '444 Patent. The Court, therefore, finds this factor does not weigh in favor of enhancement.

In summary, the Court is persuaded that factors 1, 4, 5, and 8, together with the jury's finding of willfulness in this factually contested case, support a fifty-percent enhancement of Acumed's damages. Although Defendants' infringement was willful, the Court finds their conduct was not so egregious as to warrant trebling of the damages. The jury awarded Acumed $458,853. The total enhanced award, therefore, is $688,280.

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B. Prejudgment Interest

Acumed also asks the Court to award prejudgment interest on the jury's damages award. Defendants do not oppose this request.

Prejudgment interest ordinarily is awarded to ensure that damages are adequate to compensate the patentee for infringement. *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1564 (Fed.Cir.1983). The court has "wide latitude in the selection of interest rates ... and may award interest at or above the prime rate." *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed.Cir.1991) (citations omitted). Prejudgment interest is awarded only on the actual-damage award and not on the enhanced portion. *Underwater Devices, Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389 (Fed.Cir.1983).

The Court finds, and the parties agree, Acumed is entitled to prejudgment interest from September 20, 2005, through the date of judgment at the United States Treasury Bond rate.

Accordingly, prejudgment interest through April 17, 2006, equals $20,517.

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CONCLUSION

For these reasons, the Court GRANTS in part and DENIES in part Acumed's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284 (#163). The Court awards Acumed a fifty-percent enhancement of the damages determined by the jury for a total of $688,280. In addition, the Court awards Acumed prejudgment interest in the amount of $20,517.

The Court directs Acumed's counsel to submit an appropriate form of judgment.

IT IS SO ORDERED.

DATED this 17th day of April, 2006.

/s/ Anna J. Brown
ANNA J. BROWN
Untied States District Judge

APPENDIX I — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON DATED SEPTEMBER 12, 2006

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

04-CV-0513-BR

ACUMED LLC, a Delaware limited liability company,

Plaintiff,

v.

STRYKER CORPORATION, Stryker Sales Corporation, Stryker Orthopaedics, and Howmedica Osteonics Corp.,

Defendants.

OPINION AND ORDER

BROWN, J.

This matter comes before the Court on Plaintiff Acumed LLC's Petition for Attorneys' Fees (# 203) and Request for Costs (# 202).

For the reasons that follow, the Court **DENIES** Plaintiff's Petition for Attorneys' Fees, but awards **costs** to Plaintiff in the amount of **$30,953.10**.

Appendix I

PROCEDURAL BACKGROUND

In April 2004, Plaintiff brought this action against Defendants for infringement of United States Patent No. 5,472,444 ('444 Patent). The '444 Patent describes a humeral nail used for the treatment of bone fractures, specifically for the fixation of fractures of the proximal humeral cortex. Plaintiff manufactures and sells patented humeral nails under the names Polarus and Polarus Plus. Plaintiff alleged Defendants infringed the '444 Patent by manufacturing, using, selling, importing, and offering for sale their T2 Proximal Humeral Nail.

The case was tried to a jury on September 13-20, 2005. On September 20, 2005, the jury found in favor of Plaintiff. In response to special verdict questions, the jury found *the* '444 Patent was valid and that Defendants willfully infringed Claims 1, 3-5, 10, 11, and 14-17 of the '444 Patent. The jury awarded Plaintiff damages in the form of lost profits in the amount of $419,683.00 and a reasonable royalty in the amount of $39,170.00.

On February 22, 2006, the Court heard oral argument on, among other things, Plaintiff's Motion for Treble Damages and Prejudgment Interest Pursuant to 28 U.S.C. § 284. On April 17, 2006, the Court issued an Opinion and Order in which it granted in part and denied in part Plaintiff's Motion. The Court declined to award Plaintiff treble damages, but it awarded Plaintiff a fifty-percent enhancement of the damages awarded by the jury.

Appendix I

On May 2, 2006, Plaintiff filed a Petition for Attorneys' Fees requesting $991,005.00 in attorneys' fees pursuant to 35 U.S.C. § 285. Defendants objected to these fees for a number of reasons. The Court granted Plaintiff's request to file a Reply and provided Defendants with an opportunity to file a Surresponse.

PLAINTIFF'S PETITION FOR ATTORNEYS' FEES

Standards

35 U.S.C. § 285 provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party" in a patent case. "The determination of whether a case is exceptional and, thus, eligible for an award of attorney fees under § 285 is a two-step process." *Cybor Corp. v. FAS Tech., Inc.*, 138 F.3d 1448, 1460 (Fed.Cir.1998) (citation omitted). The court first must determine whether a case is exceptional, which is "a factual determination" reviewed by the Federal Circuit for clear error. *Id.* (citation omitted). If the court determines a case is exceptional, the court "must determine whether attorney fees are appropriate, a determination that [the Federal Circuit would] review for an abuse of discretion." *Id.* (citation omitted). A district court abuses its discretion if "its decision is based on clearly erroneous findings of fact, is based on erroneous interpretations of the law, or is clearly unreasonable, arbitrary or fanciful." *Id.* (citation omitted).

"Findings of exceptional case have been based on a variety of factors; for example, willful or intentional infringement, inequitable conduct before the Patent and

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Trademark Office, vexatious or unjustified litigation, or other misfeasant behavior." *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1481-82 (Fed.Cir.1998). If a court declines to award the prevailing party its attorneys' fees, the court must explain why the case is not exceptional within the meaning of § 285. *Modine Mfg. Co. v. Allen Group, Inc.*, 971 F.2d 538, 543 (Fed.Cir.1990)

Discussion

Plaintiff argues the Court should find this case is "exceptional" and should award attorneys' fees on the ground that the jury found Defendants willfully infringed the '444 Patent. In addition, the Court, in its Opinion and Order allowing Plaintiff enhanced damages, concluded Defendants deliberately copied Plaintiff's device and that a rational juror could conclude Defendants "set out on a deliberate course to eliminate their competition" (*i.e.*, Plaintiff). Defendants, on the other hand, contend this case is not "exceptional," and, therefore, the Court should not award attorneys' fees to Plaintiff.

"A finding of willful infringement does not require a finding that a case is exceptional." *Cybor*, 138 F.3d at 1461.

> Allowance of fees only in exceptional cases is based on the premise that courts should attempt to strike a balance between the interest of the patentee in protecting his statutory rights and the interest of the public in confining such rights to their legal limits.

S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc., 781 F.2d 198, 200 (Fed.Cir.1986)(quoting *Mach. Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 471 (Fed.Cir.1985)).

In addition, "[e]ven an exceptional case does not require in all circumstances the award of attorney fees." *Id.* at 201. *See also Nat'l Preston Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1197 (Fed.Cir.1996) ("the award of attorney fees [on a finding of willful infringement] is not automatic, even for the extraordinary case."). "The trial judge's discretion in the award of attorney fees permits the judge to weigh intangible as well as tangible factors: the degree of culpability of the infringer, the closeness of the question, [or] ligation behavior." *Nat'l Preston Indus.*, 76 F.3d at 1197.

Here the jury found Defendants' infringement was willful, and, in addition, the Court concluded Defendants deliberately copied Plaintiff's device and that a rational juror could conclude Defendants "set out on a deliberate course to eliminate their competition." Accordingly, the Court concludes this is an "exceptional" case within the meaning of § 285.

In the exercise of its discretion, however, the Court, also concludes an award of attorneys' fees is not appropriate even if this is an exceptional case. Although the Court awarded Plaintiff enhanced damages under 35 U.S.C. § 284, the Court's evaluation under § 285 differs from its analysis under § 284; *i.e.*, the Court may reach different conclusions on the issues of enhanced damages and attorneys' fees. *See S.C. Johnson*, 781 F.2d at 201-02.

Appendix I

As the Court concluded in its decision on enhanced damages:

> [T]he issues of infringement and willfulness [in this case] presented classic jury questions. The evidence did not overwhelmingly favor either side, and the jury could have rejected Acumed's claims. In other words, this was a close case on many issues, including the willfulness of Defendants' infringement.
>
> Accordingly, the Court finds enhancement of damages based on this factor would result in punishing Defendants for going to trial and seeking to prove legitimate defenses. The Court concludes, therefore, this factor weighs against enhancement of damages.

When "the evidence of willful infringement is 'sufficient but weak,' a court may be justified in not awarding attorney fees." *Atmel Corp. v. Silicon Storage Tech., Inc.*, 202 F.Supp.2d 1096, 1108 (N.D.Cal.2002)(citing *Cybor*, 138 F.3d at 1460).

Here the issue of willfulness was a close one. In addition, the Court was not persuaded Defendants' conduct during litigation was in bad faith, and the Court remains unpersuaded that Defendants' conduct during litigation was sufficiently egregious to warrant an award of attorneys' fees. Defendants in this matter may have been stubborn and unsuccessful, but, considering the totality of the circumstances and in the exercise of its discretion, the Court concludes attorneys' fees are not appropriate in this case. Accordingly, the Court denies Plaintiff's Petition for Attorneys' Fees.

Appendix I

PLAINTIFF'S PETITION FOR COSTS

Standards

Absent a showing of circumstances not relevant here, an award of costs generally is governed by federal law. *See In re Merrill Lynch Relocation Mgt., Inc.*, 812 F.2d 1116, 1120 n.2 (9 Cir.1987)(dictum). Accordingly, the Court finds federal law governs the award of costs in this case.

28 U.S.C. § 1920 allows a federal court to tax specific items as costs against a losing party pursuant to Federal Rule of Civil Procedure 54(d)(1). Section 1920 provides:

> A judge or clerk of any court of the United States may tax as costs the following:
>
> (1) Fees of the clerk and marshal;
>
> (2) Fees of the court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case;
>
> (3) Fees and disbursements for printing and witnesses;
>
> (4) Fees for exemplification and copies of papers necessarily obtained for use in the case;
>
> (5) Docket fees under section 1923 of this title;

> (6) Compensation for court-appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under § 1828 of this title.
>
> A bill of costs shall be filed in the case and, upon allowance, included in the judgment or decree.

The court has broad discretion to allow or to disallow a prevailing party to recoup costs of litigation. The court, however, may not tax costs beyond those authorized by § 1920. *Frederick v. City of Portland,* 162 F.R.D. 139, 142 (D.Or.1995).

Discussion

Plaintiff seeks costs in the amount of $55,456.19 for items such as copying costs, deposition transcripts, deposition videos, court reporter fees, service fees, filing fees, and the cost of demonstrative exhibits. Defendants object to many of Plaintiff's requested costs.[1]

I. Copying Costs

Defendants object to Plaintiff's request for $20,029.97 in copying costs on the ground that Plaintiff has not established any of its copying costs were reasonably necessary.

---

1. A summary of the disallowed costs is attached as Exhibit 1 to this Opinion and Order.

Appendix I

Section 1920 does not contemplate an award of costs incurred for in-house copying expenses. See *Frederick v. City of Portland,* 162 F.R.D. 139, 142 (D.Or.1995)("[T]he balance of defendants' request [for costs] is inappropriate as it represents costs associated with the in-house photocopying of defense counsel."). *See also Voight v. Subaru-Isuzu Automotive, Inc.,* 141 F.R.D. 99, 103 (N.D.Ill.1992) ("Photocopying charges attributable to discovery and the court's copies of pleading, motions and memoranda are 'reasonably necessary for use in the case' and can be awarded. However, extra copies of file papers and correspondence, and copies of cases are not necessary, but are for the convenience of the attorneys and are therefore not taxable.").

Extra copies of documents for deposition and witness preparation are in-house copies made for the convenience of the attorneys and, therefore, these costs are not taxable. In contrast, "charges for exhibits and documents submitted to the court in support of motions, as well as copies of pleadings, motions and memoranda provided to the court are ... recoverable." *Grady v. Bunzl Packaging Supply Co.,* 161 F.R.D. 477, 479 (N.D.Ga.1995).

Plaintiff did not provide sufficient descriptions of its copying costs to enable the Court to determine whether Plaintiff's costs are for copies made for distribution to the Court, copies made to exchange with Plaintiff, or copies made for third parties. The Court, therefore, is unable to determine whether copying costs are allowable under § 1920. Accordingly, the Court declines to award copying costs to Plaintiff.

II. Deposition Costs

Defendants object to five categories of Plaintiff's requested deposition costs: videotaping services, condensed transcripts and/or ASCII transcripts, Realtime transcript services, multiple copies of transcripts, and shipping/delivery handling services.

A. Videotaping Services

Defendants object to Plaintiff's request for $7,250.03 for videotaped deposition services on the grounds that these video depositions were not used at trial and the standard transcript copies were available.

Costs related to depositions are generally available to the prevailing party. *Wash. State Dep't of Transp. v. Wash. Natural Gas Co.,* 59 F.3d 793, 806 (9th Cir.1995). Fees incurred for obtaining deposition transcripts may be recovered under 28 U.S.C. § 1920(2). *Ass'n of Flight Attendants, AFL CIO v. Horizon Air Indus., Inc.,* 976 F.2d 541, 551 (9th Cir.1992). A deposition need not be absolutely indispensable to justify an award of costs, but it must be "reasonably necessary at the time it was taken, without regard to later developments that may eventually render the deposition unneeded at the time of trial or summary disposition." *Frederick,* 162 F.R.D. at 143.

There is not any evidence that these videotaped depositions were unnecessary at the time they were taken. Accordingly, the Court awards Plaintiff $7,250.03 for these costs.

B. Condensed Transcripts and/or ASCII Transcripts

Plaintiff contends it did not include any condensed deposition fees or ASCII disc charges in its Petition. As Defendants note, however, it appears Plaintiff included charges in the amount of $65.00.

Based on Plaintiff's representation in its Petition, the Court assumes Plaintiff did not intend to include these costs and declines to award Plaintiff $65.00 for these costs.

C. Realtime Transcript Services

Defendants object to Plaintiff's request for $984.75 for "Realtime feed rough draft transcript[s]" for three depositions.

Section 1920(2) provides for the taxation of fees of the "court reporter for all or any part of the stenographic transcript necessarily obtained for use in the case." Courts have considered several factors when determining whether to allow recovery of the cost of daily transcripts:

> (1) the length of the trial and the complexity of the issues, (2) whether a daily transcript was necessary to minimize disagreement over the testimony of witnesses, (3) whether proposed findings of fact were required, (4) whether the case involved expert witnesses whose cross-examination required knowledge of the exact wording of their previous testimony or that of any

other witness, (5) the size of the claim, and (5) [*sic*] the importance of witness credibility.

Ernst v. Anderson, No. 02 C 4884, 2006 WL 163024, at *2 (N.D.Ill. Jan. 18, 2006). These factors carry less weight in the context of depositions than in the context of a trial where time is tight and resources are often stretched thin. Although this case was complicated, involved expert witnesses, and included large claims, the Realtime transcript costs are for deposition transcripts rather than trial transcripts. There is not any evidence that Plaintiffs were so pressed for time that the immediacy of these transcripts was reasonably necessary nor that the standard form of deposition transcripts would have been unsuitable.

Accordingly, the Court declines to award Plaintiff $984.75 for Realtime deposition transcripts.

D. Multiple Copies of Transcripts

Defendants object to Plaintiff's request for $349.62 for six additional copies of the Huebner deposition transcript. It is unclear why Plaintiff needed six additional copies of this deposition. Accordingly, the Court declines to award Plaintiff $349.62 for the additional copies of the Huebner deposition.

E. Shipping and Delivery Costs

Defendants object to Plaintiff's request for $211.00 for costs of "delivery/shipping and handling" services. Section 1920 does not provide for an award of costs for shipping or delivery-handling services. *See Frederick*, 162 F.R.D. at 146

(delivery charges "are not mentioned in § 1920 and are routinely excluded as taxable costs.").

Accordingly, the Court declines to award Plaintiff $211.00 for delivery/shipping and handling services.

III. Demonstrative Exhibits

Defendants object in part to Plaintiff's request for $4,629.25 for "[c]olor charts and copies of exhibits used during *Markman* hearing, including enlarged boards." Specifically, Defendants object to $2,293.75 for designing the charts and copies and $569.00 for overnight shipping of the demonstrative exhibits.

Section 1920 does not contain any provision allowing costs for designing demonstrative exhibits to be shifted from the prevailing party. Accordingly, the Court declines to award Plaintiff $2,293.75 for the design of demonstrative exhibits.

As noted, delivery charges "are not mentioned in § 1920 and are routinely excluded as taxable costs." *Frederick*, 162 F.R.D. at 146. In addition, Plaintiff does not provide any explanation as to the reason the exhibits had to be shipped overnight. Accordingly, the Court declines to award Plaintiff $569.00 for overnight shipping of the demonstrative exhibits.

Appendix I

CONCLUSION

For these reasons, the Court **DENIES** Plaintiff's Petition for Attorneys' Fees (# 203) and **AWARDS** costs to Plaintiff in the amount of **$30,953.10**.

IT IS SO ORDERED.

DATED this 12th day of September, 2006.

/s/ Anna J. Brown
ANNA J. BROWN
Untied States District Judge

Appendix 1

Exhibit 1

Accumed v. Stryker
04-CV-513
Cost Bill

Type of Cost	**Disallowed**
Copying Costs	20,029.97
Videotaping	.00
ASCII Transcripts	65.00
Realtime Transcripts	984.75
Multiple Copies	349.62
Shipping/Delivery	211.00
Demonstratives	2,862.75
Total Disallowed	24,503.09
Total Requested	55,456.19
Total Allowed Costs	30,953.10

APPENDIX J — STATUTE INVOLVED

35 U.S.C. § 112. Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

Appendix J

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

APPENDIX K — CONSTITUTIONAL PROVISION INVOLVED

U.S. Constitution, Article 1, Section 8, cl. 8

Article I

* * *

Section 8. The Congress shall have power * * *

To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;

* * * *

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(2)

No. 07-304

FILED
OCT 8 - 2007
OFFICE OF THE CLERK
SUPREME COURT, U.S.

In The
Supreme Court of the United States

STRYKER CORPORATION, STRYKER SALES CORPORATION, HOWMEDICA OSTEONICS CORPORATION, and STRYKER ORTHOPAEDICS,

Petitioners,

v.

ACUMED LLC,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION

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COUNTERSTATEMENT OF THE QUESTIONS PRESENTED

1. Whether Petitioners, Stryker Corporation, Stryker Sales Corporation, Stryker Orthopaedics and Howmedica Osteonics Corporation (collectively "Stryker") have presented compelling reasons to grant the Petition where the Federal Circuit's claim construction does not conflict with a decision of this Court or the Federal Circuit, and exclusively relies on the intrinsic record.

2. Whether Stryker has presented compelling reasons to grant the Petition in light of *In re Seagate Technology, LLC*, Misc. Docket No. 830, ___ F.3d ___, 2007 U.S. App. LEXIS 19768 (Fed. Cir. August 20, 2007) (*en banc*), where: (1) the District Court on remand has found Stryker's conduct to be willful infringement under *Seagate*; (2) the jury instructions on willfulness were consistent with *Seagate*; (3) Stryker set out to eliminate Acumed from the proximal humeral nail market by infringing Acumed's patent; (4) Stryker copied Acumed's invention; and (5) two Stryker attorneys warned Stryker that its product would infringe Acumed's patent.

CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

The caption contains the names of all of the parties to the proceeding below.

Pursuant to this Court's Rule 29.6, undersigned counsel state that Respondent Acumed LLC has the following parent corporation:

Colson Associates, Inc.

No publicly held company owns 10% or more of Acumed LLC.

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RESPONDENT'S OBJECTIONS TO PETITIONER'S PRESENTATION OF QUESTIONS FOR REVIEW

Stryker has presented two questions for this Court to consider on review:

> 1. Whether the public notice function of patents is vitiated by the Federal Circuit's panel-specific, unpredictable practice of choosing between two irreconcilable claim construction methodologies whereby patent claims are either (1) construed in accordance with the broadest available dictionary definition not expressly disavowed by the patent specification or (2) construed to have a scope commensurate with the embodiments disclosed in the specification where no other indications of breadth are affirmatively disclosed or taught in the specification.
>
> 2. Whether this case satisfies the requirements for an order of grant of certiorari, vacation of judgment, and remand to the Federal Circuit on the issue of willfulness, in view of the Federal Circuit's abolition of the 24-year-old standard of due care for willfulness in *In re Seagate Technology, LLC,* Misc. Docket No. 830, ___ F.3d ___, 2007 U.S. App. LEXIS 19768 (Fed. Cir. August 20, 2007) (*en banc*), wherein the present case was deemed close on the merits by both the district court and the Federal Circuit, and thus cannot meet the new "objectively reckless" willfulness standard.

Acumed objects to the first question in that it suggests that this case is emblematic of a purported conflict within the Federal Circuit; indeed, the construction in this case does not fall within either of the "irreconcilable methodologies" framed by Stryker. In construing the term in question – "transverse holes" – the Federal Circuit did not consider any "dictionary definitions"; instead, it exclusively relied on the intrinsic record. The intrinsic record supports that construction in three ways. First, the preferred embodiment itself discloses two different kinds of holes: (1) holes extending across the butt portion, which the inventors called "transverse holes", and (2) a hole extending axially through the butt portion, which the inventors called "an axial bore." Second, the inventors expressly qualified the "transverse holes" in the preferred embodiment as being "perpendicular." Third, under the doctrine of claim differentiation, limiting the "transverse holes" in claim 1 of the '444 patent to perpendicular holes would render dependent claim 15 meaningless. Hence, "other indications of breadth are affirmatively disclosed or taught" in the intrinsic record, placing this case outside of the two hypotheticals posed in Stryker's question.

Acumed objects to the second question because it is premised on the contention, made elsewhere in Stryker's brief, that "the now defunct duty of care was applied in determining willful infringement." In actuality, the willfulness jury instruction was consistent with the *Seagate* holding, and the District Court has since held that Stryker's conduct constituted

willful infringement under *Seagate*. Moreover, the record established that after Stryker's effort to acquire Acumed failed, Stryker set out to eliminate Acumed from the proximal humeral nail market by infringing Acumed's patent. Two lawyers warned Stryker that its product would infringe Acumed's patent, and the jury and the District Court found that Stryker copied Acumed's invention.

I. STATEMENT OF THE CASE

A. Proximal Humeral Fractures And The Invention Of The '444 Patent

When Randall Huebner, one of the co-inventors of U.S. Patent No. 5,472,444 (the '444 patent), founded Acumed, his goal was to design products that addressed unsolved medical problems. Ct. App. JA 0344-45. Proximal humeral fractures were considered the last unsolved fracture because the existing treatments had problems which made them unsuitable or undesirable. Such treatments were invasive and prone to failure; they included percutaneous pinning, bone plates and shoulder replacement. Ct. App. JA 0346-48. In 1991, Messrs. Huebner and Conrad began designing an intermedullary nail to treat proximal humeral fractures. That effort presented unique treatment problems due to the anatomy of the proximal humerus, including the very soft and poor quality of the bone, the axillary nerve, which wraps around the proximal humerus, and the radial nerve, which

runs around the mid shaft of the humerus. Ct. App. JA 0348.

Eventually, Acumed conceived of a nail design that had two key features: a curved nail, which can be inserted into the proximal humeral shaft to provide a solid foundation for securing fractures of the proximal humerus. Ct. App. JA 0643-50. The shape also avoided damage to the cartilage and the rotator cuff. Ct. App. JA 0348.

The other key aspect, the angularly offset proximal hole configuration, allowed the nail to attach screws into the various bone fragments in either a two-, three- or four-part fracture. Ct. App. JA 0349. That configuration allowed divergent screws to be screwed into the bone fragments to improve stability and hold the ball fragments of the humeral head in place. Ct. App. JA 0349.

Acumed called its proximal humeral nail the "Polarus", and Huebner and Conrad filed for a patent application on May 13, 1994. Ct. App. JA 0651. The '444 patent issued on December 15, 1995. The Polarus nail was an immediate commercial success and helped build Acumed. Ct. App. JA 0355.

B. Stryker Enters The Market By Copying The '444 Patent

Stryker, the largest medical implant company in the world (Pet. App. 62a), recognized that it needed a product in what it called the "PHN [Proximal Humeral

Nail] market". Ct. App. JA 1011; ("We currently do not have an offering in the PHN market"). In 2002, eight years after the Polarus nail hit the market, Stryker unsuccessfully attempted to acquire Acumed. Ct. App. JA 0357. When that attempt failed, Stryker decided to launch its "curved nail design" to drive Acumed out of the market. In August of 2002, Stryker unveiled a plan to develop a proximal humeral nail in order to "attack competitors" (Ct. App. JA 1130), principally Acumed, which had achieved "market success" with a "patented design". Ct. App. JA 1131. In that same plan, Stryker circulated its proposed design for a "curved nail". Ct. App. JA 1137.

1. Two Stryker Attorneys Warn That The Planned Design Will Infringe The '444 Patent.

When Stryker's German attorney, Edo Graalfs, learned of the planned design, he immediately warned that it would infringe Acumed's '444 patent:

> ***[T]he Stryker Trauma nail has transverse bores having axes which are angularly offset. . . .***
>
> ***I advised that the nail must not be provided with a curvature as this is a feature of independent claim 1 [of the '444 patent]. Now it turned out that for business reasons it would be a requirement to also use a curved shank. I expressed my doubts*** [to Stryker] ***that it could be***

> ***possible to find a structure not covered by the mentioned US patent.***

Ct. App. JA 1480-81 (emphasis added). Weeks later, Stryker's U.S. patent attorney, Raymond Augustin, gave the same warning to Stryker:

> The [Stryker] humeral nail . . . has a curved shank. . . .
>
> Independent claim 1 [of the '444 patent] requires the humeral nail to have . . . a curved shank with a butt portion extending proximally from the shank with the butt portion being shorter than the shank and having at least three holes, each hole defining a hole axis with the ***axes angularly offset from each other.***
>
> ***[I]f the Stryker shank or nail were curved, the Stryker Trauma humeral nail would have each and every element of claim 1 in the '444 patent.*** Edo Graalfs has indicated in his letter that he suggested that the nail shank be straight, however, he indicated that ***for commercial reasons, the nail shank would be curved.***

Ct. App. JA 1490-92 (emphasis added). Both warnings concluded that the "transverse holes" element of the '444 patent was present in Stryker's product without any reference to "dictionary definitions." *Id.*

Stryker's lead engineer admitted that the design which prompted these warnings was the same design

which Stryker eventually launched. Ct. App. JA 0417 ("There were no changes to the shaft or to the holes").

2. Stryker Proceeds With "Curved" Nail With "Angularly Offset," "Transverse" Holes In Order To Drive Acumed Out Of The Market

Despite those warnings, in December of 2002, Stryker elected to proceed with the same design. Ct. App. JA 1309. Stryker even filed a patent application on its nail, repeatedly describing its nail as having "transverse bores" (Ct. App. JA 0917-23), even though such bores are both perpendicular and diagonal to the nail axis. Stryker also represented that such "transverse bores" are "angularly offset from each other." Ct. App. JA 0920.

The "business reason" why Stryker insisted on the infringing design was to drive Acumed out of the very market it created:

> The T2 PHN product line ***will be targeted for existing Polarus accounts.*** . . . The market leader in the PHN segment is the Polarus nail system by Accumed [sic]. . . . ***With the new design of the T2 PHN, we are looking to take approximately 75% of the Accumed [sic] business by the end of the first year in the market.***

Ct. App. JA 1011 (emphasis added). As Stryker declared: "Hopefully we can nearly eliminate the Polarus!!!" Ct. App. JA 1299.

The District Court found that "there is sufficient evidence to establish that ***defendants deliberately copied the Polarus nail***." Pet. App. 58a (emphasis added). The District Court also found:

> There is evidence in the record from which a rational juror could conclude Defendants set out on a deliberate course to eliminate their competition after Defendants were unable to buy Acumed outright. This evidence includes statements by Stryker that it planned to "attack competitors," to "eliminate the Polarus," and to "target existing Polarus accounts."

Pet. App. 64a. Stryker also had one of its paid surgeons steal a Polarus operating room chart out of a hospital in Ohio. Pet. App. 58a.

3. The Second Augustin Opinion And Stryker's Conduct Surrounding It

Faced with two unfavorable opinions, but needing the infringing product for "business reasons", Stryker requested another opinion from Augustin. In November of 2003, Augustin provided that opinion in which he purportedly changed his mind from his earlier opinion. Ct. App. JA 2721-40. In his new opinion, Augustin concluded that the Stryker nail has a "bent shank" and not a "curved shank." Ct. App. JA 2735. Yet three months earlier, Augustin filed Stryker's patent application in which Stryker stated that the claimed nail "may either be straight or curved." Ct. App. JA 0919. In that application, Stryker described the nail claimed in the '444 patent

as "bent." Ct. App. JA 0913; ("The nail shaft is also bent"). Mr. Augustin's opinion said nothing about the absence of "transverse holes".

In the course of obtaining the second Augustin opinion, Stryker's Director of Intellectual Property, Gregory Plaskon, made no effort to provide Augustin with any of the Stryker documents describing the "curved nail" design and the nail's "curvature." Ct. App. JA 0492. Plaskon also admitted that he didn't understand the opinion, yet he never bothered to ask Augustin about it. Ct. App. JA 0491-92; (Q: "Did you ask him anything about his legal opinions?" A: "No." Q: "Why not?" A: "I don't know").

Stryker also had finalized its infringing design before receiving the second Augustin opinion. Stryker filed its FDA application (Ct. App. JA 1149-75) for the T2 PHN in August of 2003 – three months before the second Augustin opinion.

Plaskon also testified that Stryker failed to take any measures at all to avoid infringing the '444 patent:

> Q: So to the best of your knowledge, did Stryker take any active measures to ensure that it did not design a nail that is covered by the '444 patent?
>
> A: To the best of my knowledge, no.

Ct. App. JA 0494.

C. Stryker Launches The T2 Nail; This Lawsuit Follows

Stryker introduced its infringing T2 proximal humeral nail to the U.S. market in early 2004; Acumed filed this lawsuit shortly thereafter.

1. The Jury Instruction On Willfulness

Contrary to Stryker's argument, the "now-defunct duty of care standard" was not applied. Instead, the jury was instructed:

> To prove willfulness, Acumed must persuade you that it is highly probable that, A, Stryker had actual knowledge of the '444 patent; and B, Stryker did not have a reasonable basis to believe, one, Stryker's T2 nail product did not infringe the '444 patent, or two, the '444 patent was invalid.

Ct. App. JA 0591. Nothing was said in the willfulness instruction about a duty of care.

2. The Verdict

The jury found that Stryker's T2 PHN infringed claims 1, 3-5, 10, 11, and 14-17 of the '444 Patent, and that Stryker's infringement was willful. Pet. App. 50a, 51a. The jury awarded damages of $458,853, consisting of lost profits and a reasonable royalty. Pet. App. 52a.

REASONS FOR DENYING THE PETITION

Stryker has attempted to portray this claim construction as a "dictionary definition" contest gone awry. According to Stryker, "the Federal Circuit chose the broader [dictionary definition], without regard to the public notice function of the claims." Pet. Br. at 24-25. Stryker is flat wrong. The Federal Circuit construed "transverse holes" without considering ***any*** dictionary definitions, relying instead upon the intrinsic record. Pet. App. 12a-17a. Stryker's "public notice" argument is particularly ironic, as two of its own lawyers immediately warned Stryker that its product would infringe Acumed's patent, also without reference to any dictionaries. Pet. App. 3a, 4a.

The Federal Circuit's opinion in *Seagate* likewise does not present a compelling reason to grant the Petition. The District Court already has held that Stryker willfully infringed under the *Seagate* standard. Moreover, at trial, the jury was instructed not under "the now defunct duty of care standard" as Stryker contends, but under a reasonableness test consistent with *Seagate*.

I. THE AFFIRMED CONSTRUCTION OF "TRANSVERSE HOLES" IS FULLY SUPPORTED BY THE INTRINSIC RECORD

The intrinsic record supports the Federal Circuit's construction of "transverse" in three different ways. First, the preferred embodiment discloses two different kinds of holes: (1) holes extending across the

butt portion, which the inventors called "transverse holes", and (2) a hole extending axially through the butt portion, which the inventors called "an axial bore." Second, the inventors expressly qualified the "transverse holes" in the preferred embodiment as being "perpendicular." Third, under the doctrine of claim differentiation, limiting the "transverse holes" in claim 1 to perpendicular holes would render dependent claim 15 meaningless.

Properly applying the canons of claim construction articulated in *Phillips*, the Federal Circuit correctly held that the '444 patent specification uses "transverse holes" more broadly than to simply represent perpendicularity. In the *Phillips* decision, the Federal Circuit "expressly rejected the contention that if a patent describes only a single embodiment, the claims must be construed as being limited to that embodiment . . . because persons of ordinary skill in the art ***rarely*** would confine their definitions of terms to the exact representations depicted in the embodiment." *Phillips* v. *AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005) (emphasis added).[1] The *Phillips* court went on to state that, to avoid improperly importing limitations, "it is important to keep in mind that the purpose of the specification is to teach

[1] For example, in Stryker's own patent application claiming a nail purporting to improve upon the '444 patented nail, Stryker repeatedly refers to holes that extend across a nail perpendicularly and non-perpendicularly as "transverse." Ct. App. JA 0917-23.

and enable those of skill in the art to make and use the invention and to provide the best mode for doing so." *Id.* "Much of the time, upon reading the specification in that context, it will become clear whether the patentee is setting out specific examples of the invention to accomplish those goals, or whether the patentee instead intends for the claims and the embodiment in the specification to be strictly coextensive." *Id.*

The Federal Circuit correctly followed that methodology here, relying exclusively on the intrinsic record in doing so:

> The plain meaning of Claim 1 covers more than the particular embodiment shown in the figures. While the disclosed embodiment possesses "perpendicular" holes, the claim language covers all "transverse" holes – a word that does not necessarily imply right angles. Moreover, the patentees' description of their preferred embodiment itself implies a difference between the words "perpendicular" and "transverse." The written description states that Figure 2 "illustrates a plurality of transverse holes, each of which is . . . perpendicular to the portion of the nail axis at the butt portion 14 of the nail." '444 patent col. 2 lns. 56-59. This implies that a "transverse" hole need not be "perpendicular" – if it were, the patentee would not have needed to clarify that these holes, in addition to being transverse, were perpendicular to the nail axis. Just as in *Phillips*, where the asserted claim mentioned "steel baffles" and

hence "strongly implie[d] that the term 'baffles' does not inherently mean objects made of steel," 415 F.3d at 1314, this usage of language is strong evidence that the patentee considered "transverse" and "perpendicular" to have distinctly different meanings.

The intrinsic evidence of the specification therefore suggests that the patentees knew how to restrict their claim coverage to holes passing through at right angles. They could have used the word "perpendicular," as they did in discussing their preferred embodiment. Instead, they chose a different term that implies a broader scope. The intrinsic evidence does not indicate that one of skill in the art would believe the patentees meant "perpendicular" when they said "transverse." There is very little indication that the patentees considered perpendicularity important to their invention. The patentees tout the virtue of their preferred hole orientation only once, noting that "[t]he predictability of fracture modes makes the orientation of holes in the illustrated embodiment suitable *in most cases*." '444 patent col.4 ll.65-67 (emphasis added). Far from demonstrating that "the patentee[s] . . . intend[ed] for the claims and the embodiments in the specification to be strictly coextensive" with respect to this limitation, *Phillips*, 415 F.3d at 1323, this statement admits that the disclosed perpendicular hole orientation may not always be ideal. *See* '444 patent col.5 ll.2-4 (suggesting that, if holes are not "ideally situated, the surgeon may slightly rotate the

> nail to achieve a more favorable alignment"). Nowhere in the specification or the prosecution history do the patentees criticize or distinguish tilted, non-perpendicular holes.

Pet. App. 12a-14a.

Moreover, the nail of the illustrated preferred embodiment depicts holes (1) extending across the butt portion (holes 44a-d, highlighted in green below) and (2) extending axially through the butt portion (hole 32, highlighted in red below).

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FIG 2

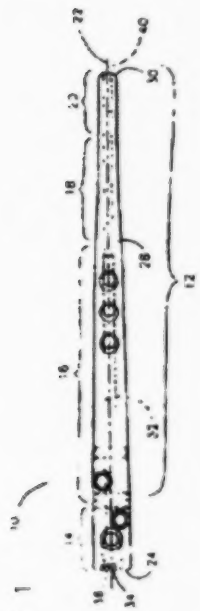


FIG 1

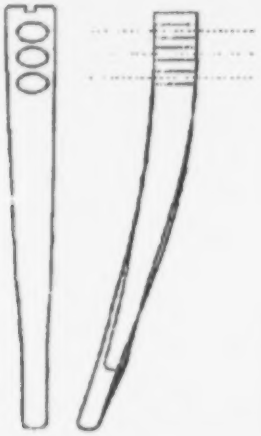
The axial hole (32) and transverse holes (44a-d) *all pass through the butt portion of the nail*. The patentees call the holes extending *across* the butt portion "transverse holes" and the hole extending *axially* "an axial bore." The modifier "transverse," therefore, is used by the patentees to distinguish holes across the butt portion from the axial hole extending through the center of the butt portion. Thus, the preferred embodiment *does* teach a "transverse hole" that is *across* the butt portion of the nail.

Finally, the doctrine of claim differentiation indicates further that the patentee intended "transverse holes" to cover more than perpendicular holes. "There is presumed to be a difference in meaning and scope when different words or phrases are used in separate claims. To the extent that the absence of such difference in meaning and scope would make a claim superfluous, the doctrine of claim differentiation states the presumption that the difference between the claim is significant." *Comark Comms., Inc.* v. *Harris Corp.*, 156 F.3d 1182, 1187 (Fed. Cir. 1998) (citation omitted). In *Comark*, the Federal Circuit explained that the defendant's proposed construction was improper because it "would render [dependent] claim 2 completely superfluous and redundant of claim 1." Similarly, Stryker's proposed construction of "transverse holes" would render dependent claim 15 completely superfluous and redundant of claim 1.

Claim 15 reads: "The nail of claim 1 wherein ***each*** of the transverse holes occupies a different plane" (A 0649, the '444 patent, col. 6, lns. 30-31)

(emphasis added). The only difference between claims 1 and 15 is that claim 1 also covers a nail in which each of the at least three transverse holes occupy a single plane. Stryker's proposed construction, however, renders dependent claim 15 superfluous because holes that must be perpendicular ***and*** "angularly offset from each other" ***always occupy a different plane***. The following illustrations should help clarify this point.

The illustration below shows that perpendicular holes in a single plane are never angularly offset from each other. The three parallel holes in a single plane are not within the scope of claim 1 because they cannot satisfy the angularly offset requirement. Therefore, limiting "transverse holes" to perpendicular holes will render dependent claim 15 meaningless.



On the other hand, dependent claim 15 has meaning under the construction adopted by the Federal Circuit. The illustration below shows transverse holes that extend across the butt portion of the

nail in a single plane *and that are angularly offset*. Dependent claim 15 would not cover the embodiment below, whereas independent claim 1 does cover the embodiment. Because the only limitation added by claim 15 has effect when "transverse" is given the ordinary meaning "across," there is a strong presumption that this is the correct meaning.

In summary, this case does not fall within either of the two hypotheticals framed by Stryker in its Questions Presented because there are "other indications of breadth affirmatively disclosed or taught" in the intrinsic record.

II. THE *SEAGATE* OPINION DOES NOT PROVIDE A COMPELLING REASON TO GRANT THE PETITION

Putting aside the question of whether the *Seagate* decision should even be given retroactive effect[2], the opinion does not provide a compelling reason to grant the Petition.

A. The District Court Already Has Found That Stryker's Willful Infringement Meets The *Seagate* Standard

Stryker quotes from this Court's opinion in *Lawrence* v. *Chater*, 516 U.S. 163 (1996) on the appropriateness of a grant of a writ of certiorari, grant and remand ("GVR"):

> [w]here intervening developments, or recent developments that we have reason to believe the court below did not fully consider, reveal a reasonable probability that the decision below rests upon a premise that the lower court would reject if given the opportunity for further consideration, and where it appears that such a redetermination may determine

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[2] Stryker has made no argument whatsoever as to whether *Seagate* should be retroactively applied under the test of *Chevron Oil Co.* v. *Huson*, 404 U.S. 97 (1971). Acumed believes that the three-factor *Chevron Oil* test supports the denial of retroactive effect to the *Seagate* decision. For example, Stryker's decision to copy Acumed's invention was made years ago; application of a different legal standard cannot change that decision.

> the ultimate outcome of the litigation, a GVR order is, we believe, potentially appropriate.

516 U.S. at 167-68. Here, a recent development reveals just the opposite: the District Court has already found that infringement was willful under the *Seagate* standard. Specifically, on remand, the District Court held: "I can assure you that if I had applied that [Seagate] standard as articulated in August of 2007, I still would have found willfulness here on this record." Res. App. 3a.[3]

B. The District Court's Jury Instruction On Willfulness Is Substantially The Same As The *Seagate* Standard

Without any citation to the record, Stryker claims "In the present case, the now defunct duty of care standard was applied." Pet. Br. 28. *See also*, Pet. Br. 13 ("The jury was further instructed on the law of willful infringement based on the then-existing duty of due care standard."). Stryker is incorrect.

In any event, the jury instruction defining the standard for proving willfulness that was actually used by the District Court at trial does not differ materially from the standard set forth in the *Seagate* decision:

---

[3] Moreover, the Federal Circuit ordered an *en banc* consideration in *Seagate* on January 26, 2007. The Federal Circuit denied Stryker's petition for rehearing *en banc* on June 5, 2007. Pet. App. 37a.

> To prove willfulness, Acumed must persuade you it is ***highly probable*** that, A, Stryker had actual knowledge of the '444 patent and, B, Stryker had no ***reasonable*** basis to believe, one, Stryker's T2 nail product did not infringe the '444 patent, or two, the '444 patent was invalid.

Ct. App. JA 0591 (emphasis added). The duty of care was not even mentioned in the willfulness instruction.

The congruence between the District Court's instruction and the *Seagate* standard is striking. Both the District Court's instruction and the *Seagate* standard call for an objective assessment of the likelihood of infringement and validity. The District Court's instruction required the jury to find "no ***reasonable*** basis" for a belief in non-infringement or invalidity, just like the *Seagate* standard. *Seagate, supra,* 2007 U.S. App. LEXIS 19768 at **22-23 ("a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."). Both the District Court's instruction and the *Seagate* standard set forth an "objectively high" standard of proof. The District Court said "highly probable"; the *Seagate* standard calls for a "high likelihood." The jury in this case likewise expressly found willfulness by "clear and convincing evidence." Pet. App. 51a.

The actual bases for Stryker's willfulness are likewise consistent with the *Seagate* test. As the Federal Circuit explained:

> Here, substantial evidence supports a finding that Stryker ignored the November 2003 opinion letter to an extent sufficient to permit willfulness to be found in these circumstances. Most notable is the fact that two patent attorneys, Graalfs and Augustin, had at first strongly discouraged Stryker from marketing the infringing nail in the United States. Despite that advice, Stryker continued to push toward a United States market entry, filing its FDA application months before it received Augustin's revised legal advice. Additionally, Acumed presented evidence that Stryker copied its product, including that Stryker arranged to "confiscate" a hospital room chart instructing doctors in the use of Acumed nail.

Pet. App. 20a. The District Court also found:

> There is evidence in the record from which a rational juror could conclude Defendants set out on a deliberate course to eliminate their competition after Defendants were unable to buy Acumed outright. This evidence includes statements by Stryker that it planned to "attack competitors," to "eliminate the Polarus," and to "target existing Polarus accounts."

Pet. App. 64a.

In summary, the instruction given by the District Court does not materially differ from the *Seagate* standard. The evidentiary bases for Stryker's willful infringement also fit the *Seagate* standard.

CONCLUSION

For the foregoing reasons, the Petition for writ of certiorari should be denied.

Respectfully submitted,

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PARTIAL TRANSCRIPT OF PROCEEDINGS ON REMAND

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

ACUMED, LLC, a Delaware limited liability company, Plaintiffs, v. STRYKER CORPORATION, ET AL., Defendants.	Case No. CV-04-513-BR September 27, 2004 Portland, Oregon

TRANSCRIPT OF PROCEEDINGS

(Oral Argument)

BEFORE THE HONORABLE
ANNA J. BROWN, DISTRICT JUDGE

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* * *

[3] (Thursday, September 27, 2007; 1:30 p.m.)

PROCEEDINGS

THE COURT: I am sorry I had to defer the start of our hearing today. I appreciate your accommodation.

We are here in the matter of Acumed versus Stryker Corporation, and others, Civil No. 04-513, to take up the plaintiff's Motion for Entry of Permanent Injunction, which is Docket No. 231; the plaintiff's Motion for Enhancement of Damages, which is Docket No. 241; and the defendants' Motion to Strike certain allegations of fact and argument, which is Docket No. 247.

Would you please state your appearances for the record, Counsel.

For the plaintiff?

MR. VICKREY: Paul Vickrey and Chris Laney for the plaintiff.

THE COURT: Chris?

MR. LANEY: Laney.

THE COURT: Yes. Right. Thank you.

MR. LANEY: Thank you.

MS. HWANG: Sharon Hwang on behalf of defendants.

THE COURT: All right. Good afternoon.

* * *

[63] MS. HWANG: And the first one is sort of long.

This case, probably more so than any case I've ever been involved in, is a victim of timing, where there have been significant changes in the patent

laws just since this case was filed. We obviously had the eBay case. We had the Phillips decision. We had the Seagate decision, which is directly on point here.

Seagate – and we sent your Honor a letter the day after it came out on August 20th, 2007, Seagate is an en banc Federal Circuit decision where the Federal Circuit realized that all along it's been applying the wrong standard for willfulness. In fact they said the standard that the Federal Circuit has been using this whole time is more akin to negligence. And it's contrary to Supreme Court precedence to allow enhancement of damages on negligence.

And so they – they took the time to come up with a completely new standard. That standard is objective recklessness. And so now –

THE COURT: I can assure you that if I had applied that standard as articulated in August of 2007, I still would have found willfulness here on this record.

* * *

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(3)

No. 07-304

FILED
OCT 19 2007
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS and HOWMEDICA OSTEONICS CORPORATION,

Petitioners,

v.

ACUMED LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioners' corporate disclosure statement was set forth at page *ii* of their Petition for a Writ of Certiorari, and there are no amendments to that statement.

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Petitioner Stryker Corporation ("Stryker") respectfully submits this Reply in support of its Petition for a Writ of Certiorari to address new points raised in the Opposition Brief filed by Respondent Acumed LLC ("Acumed").

I. THE MAJORITY AND DISSENTING OPINIONS IN THIS CASE ILLUSTRATE THE FEDERAL CIRCUIT'S IRRECONCILABLE DUAL CLAIM CONSTRUCTION METHODOLOGIES

Acumed argues that the Federal Circuit did not consider any dictionary definitions in this case and therefore, this case does not fall within either of the "irreconcilable methodologies" framed by Stryker. Acumed's argument ignores the record of this case.

The primary issue presented to the Federal Circuit pertaining to the construction of "transverse holes" was whether "transverse" should be construed in accordance with the broadest available dictionary definition not expressly disavowed in the specification, or whether "transverse" should be construed in a manner consistent with the specification (and, here, a narrower dictionary definition) absent any other affirmative indications of claim scope. (Stryker's Appeal Br., pp. 39-44; Acumed's Appeal Br., pp. 37-42; Stryker's Reply Br., pp. 9-16; Stryker's Petition for Rehearing, pp. 2-8; Acumed's Response to Petition for Rehearing, pp. 1-8; Claim Construction Hearing, p. 52-85).

It is irrefutable that the District Court relied on the broader dictionary definition in construing the claim term "transverse." The majority decision is similarly based on the same dictionary definition. To be sure, the majority tries to mask its reliance on the broader dictionary definition by cryptically and without explanation stating "While the disclosed embodiment possesses 'transverse holes,' the claim language covers all 'transverse' holes – a word that does not necessarily imply right angles"

(App. 12a), and "we decline to impose a construction *narrower* than the term's ordinary meaning." (App. 16a). There is no explanation of what constitutes the term's "ordinary meaning" or how the majority decided that "transverse" "does not necessarily imply right angles."

However, as pointed out by the dissent,

> What, if not the specification, is the majority using to determine the plain meaning of this term? The district court based its conclusion regarding the plain meaning of transverse on Webster's Dictionary, which it acknowledged supported both the definition across and perpendicular. In the present case, as in *Nystrom*, I see no reason why we should adopt one, broader, plain meaning of the terms 'transverse' when there is another plain meaning that is completely consistent with the intrinsic evidence. When one begins with the patent specification, in my opinion, there is no doubt which of the two meanings of 'transverse' is correct.

(App. 33a).

Indeed, the very conflict that Stryker petitions this Court to resolve pertains to clarifying the role of dictionaries in construing patent claims. This conflict is a plague on the patent bar and district courts across the country because there currently is no guidance as to how to properly construe a patent claim. Under one Federal Circuit methodology, the so-called "ordinary meaning" of a claim term can provide claim scope broader than that contemplated by the inventor or reasonably ascertainable by the public. Under another methodology, the claim term is given a scope commensurate with the patent disclosure. Until all appeals are exhausted, it is impossible for anyone to predict with reasonable certainty how a claim term will be construed. This Court's intervention is necessary.

II. CONTRARY TO ACUMED'S REPRESENTATION, THERE HAS BEEN NO FINDING OF WILLFULNESS UNDER *SEAGATE*

Acumed contends that the willfulness jury instruction "was consistent with the *Seagate* holding," and that the District Court has since "held that Stryker's conduct constituted willful infringement under *Seagate*." Acumed's arguments are misguided.

A. The Jury Was Not Instructed in Accordance with *Seagate*

Acumed cites to a portion of the jury's instruction on willfulness, arguing that the jury was *not* instructed under the now-overruled "duty of due care" standard but was rather instructed under a reasonableness test "consistent with *Seagate*." In particular, Acumed cites to the first portion of the jury instruction, which states

> To prove willfulness, Acumed must persuade you it is highly probable that, A, Stryker had actual knowledge of the '444 patent; and, B, Stryker did not have a reasonable basis to believe, one, Stryker's T2 nail product did not infringe the '444 patent or, 2, the '444 patent was invalid.

(Acumed Opp., p. 22).

Of course, the cited excerpt does not describe the *Seagate* test but is rather the precise "duty of due care" standard that was overruled by the Federal Circuit in *Seagate*.

The full jury instruction unmistakably shows that the jury was expressly told to consider subjective factors pertaining to Stryker's state of mind:

> In deciding whether Stryker committed willful infringement, you must consider whether Stryker independently designed its T2 nail or intentionally copied a product of Acumed covered by the '444 patent; whether Stryker, when it learned of the '444 patent, investigated the scope of the patent and formed a good-faith belief that the patent was invalid or that it was not infringed; whether Stryker had a substantial defense to infringement and reasonably believed that the defense would be successful if litigated; whether Stryker made a good-faith effort to avoid the '444 patent; and whether Stryker relied on a legal opinion that appeared to it to be well-supported and believable and that advised Stryker, one, that the T2 nail did not infringe the '444 patent or, two, that the '444 patent was invalid.
>
> In evaluating Stryker's reliance on the advice of a lawyer, you should consider when Stryker obtained the advice, the quality of the information Stryker provided to the lawyer, the competence of the lawyer's opinion, and whether or not Stryker relied upon the advice. Advice is competent if it was based upon a reasonable examination of the facts and the law relating to validity and/or infringement issues, consistent with the standards and practices generally followed by competent lawyers.

(R. App. 8a). The jury instruction was adapted from the Model Patent Jury Instructions for the Northern District of

California, which were last updated on September 20, 2004, and were based on the Federal Circuit's then-existing willfulness standard.

The willfulness jury instruction in this case is missing the single most important aspect of the *Seagate* standard: a consideration of whether or not Stryker's actions were "objectively reckless." *Seagate* teaches that subjective intent is irrelevant to the objective inquiry of whether the infringer acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768, at *23 (Fed. Cir. August 20, 2007) ("The state of mind of the accused infringer is not relevant to this objective inquiry."). The correct inquiry is whether Stryker's actions were objectively reckless, i.e., whether clear and convincing evidence shows that Stryker acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.*, at *22-23. The willfulness instruction provided to the jury in the present case did not comport with the Federal Circuit's new *Seagate* standard.

B. The District Court Did Not Hold That Stryker's Infringement was Willful Under *Seagate*

Acumed improperly suggests that the *Seagate* standard would not change the outcome in this case. As support, Acumed contends that "on remand, the District Court held: "I can assure you that if I had applied that [Seagate] standard as articulated in August of 2007, I still would have found willfulness here on this record." (Acumed Opp., p. 21). The District Court's statement cannot reasonably be considered to be a "holding" or even a "finding."

As an initial matter, the determination of willfulness is a question of fact for the jury, not for the District Court. The District Court's comments, however, confirm the need for a fair determination of willfulness or nonwillfulness under the *Seagate* standard in this case.

Here, the parties were never given an opportunity to present the willfulness issue to the jury under *Seagate*, *nor was the issue ever briefed* before the District Court.[1] Indeed, when *Seagate* issued on August 20, 2007, Stryker sent a letter to the District Court to inform her that the decision had issued, and that Stryker believed that *Seagate* was directly relevant to Acumed's pending motions for a permanent injunction and for enhanced damages on post-verdict sales, which had already been briefed but which were set for oral argument on September 27, 2007.[2] Stryker's letter did not

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1. The District Court had originally issued a permanent injunction in February, 2006. Shortly thereafter, the Federal Circuit stayed injunctive relief pending appeal, during which time Stryker paid monies into escrow for each unit of the accused product sold during that interim period. The Federal Circuit later rendered a split decision on liability and willfulness, but vacated the District Court's permanent injunction and remanded for a determination under the four-factor test articulated in this Court's *eBay* decision. On remand, Acumed filed a motion for permanent injunction and a separate motion for enhancement of the post-judgment amounts placed into escrow by Stryker. The willfulness issue was not remanded to the District Court, as *Seagate* had not yet been decided.

2. Since enhanced damages requires a finding of willfulness and since enhanced damages is a discretionary determination based on the totality of circumstances, Stryker believes that it is appropriate for the District Court to consider the questionable nature of the willfulness finding given the Federal Circuit's acknowledgment that the old standard violated Supreme Court precedent in connection with *denying* enhancement of the post-verdict escrow amounts.

contain argument, but rather was confined to bringing the case to the District Court's attention and quoting relevant portions of the case. While Stryker offered to provide supplemental briefs on the issue, the District Court did not request any briefs. Nor did the District Court acknowledge that *Seagate* sets forth a new "objectively reckless" standard for willfulness. Indeed, there is no indication whatsoever that the District Court's comments were based on a studied analysis of the facts of the present case under *Seagate*.

A review of the totality of the District Court's comments on *Seagate* confirms that her focus was solely on subjective factors,[3] and not the "objectively reckless" factor that forms the basis of Stryker's request for GVR. For example, after Stryker argued, for the first time before the District Court, that there could be no "objective recklessness" in the present case in view of multiple findings by the District Court, the Federal Circuit and the Patent Office demonstrating the closeness of the infringement and invalidity case, the District Court commented:

> This is not a helpful piece of argument. And if this is all you're going to go back, I don't want to hear it any more. I've heard it too many times.

(R. App. 4a-6a). Until the September 27, 2007 oral argument, Stryker had not, in fact, ever had an opportunity to argue "objective recklessness" because *Seagate* issued after briefing on the motions was completed. Thus, it is clear that the District Court's comment about "that standard as

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3. Acumed focuses on subjective factors, such as Acumed's "spin" on the evidence, rather than objectively examining the reasonableness of Stryker's noninfringement and validity positions, as required by *Seagate*.

articulated in August of 2007" at the hearing could not have been intended to address the "objectively reckless" factor of *Seagate*.

In any event, as of the present date, the District Court has not yet issued a ruling on Acumed's motions. The District Court's comments during oral argument were not intended to be final holdings, as the District Court expressly notified the parties after the hearing that it was taking the motions under advisement. (R. App. 1a-2a).

This case is a perfect candidate for a GVR based on the new willfulness standard articulated in *Seagate* because the Federal Circuit can reverse the willfulness finding as a matter of law based on the unusual record in this case. Here, as a matter of law, any infringement by Stryker cannot meet the "objectively reckless" standard because three neutral institutions separately found Stryker's liability arguments to be objectively reasonable. *Seagate*, 2007 U.S. App. LEXIS 19768 at *22-23 ("to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.").

Unlike typical cases, the District Court made affirmative findings in two separate orders that the liability and willfulness case was close. (App. 63a; App. 73a). The Federal Circuit rendered a split decision on liability and earlier stayed injunctive relief, thus finding, at a minimum, that Stryker presented a "substantial case on the merits." (App. 26a-35a; App. 39a). The Patent Office rejected the majority of the asserted claims during reexamination initiated by a third party based on the very prior art relied upon by Stryker at trial. Prior to selling the accused product in the United States, Stryker also obtained a detailed opinion from an experienced

patent attorney describing why the patent-in-suit was invalid or not infringed.[4] The same noninfringement and invalidity defenses were set forth at trial in this close case. Few cases present such clear, objective indicators that negate a finding that Stryker acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent."

A GVR[5] remanding the case to the Federal Circuit for review under the new *Seagate* standard is appropriate.

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4. Acumed unfairly argues that Stryker ignored the "warnings" of two attorneys. The "warnings" relied upon by Acumed include (1) a 2-page letter from one of Stryker's outside German attorneys, Edo Graalfs, to Stryker's outside patent attorney, Ray Augustin, requesting that Mr. Augustin obtain the file history of the patent-in-suit and find a structure that would not infringe the patent, and (2) Mr. Augustin's 3-page internal memo to file, containing comments regarding his preliminary assessment of infringement and invalidity based on the then-existing design of the accused product. Almost one year later, Mr. Augustin completed his assessment of the patent-in-suit based on the current design of the accused products. Prior to launching the accused product in the United States, Mr. Augustin provided to Stryker his final, 18-page, detailed opinion of counsel describing why the current accused product did not infringe any valid claim of the patent-in-suit.

5. Acumed's suggestion that *Seagate* should not be applied "retroactively" is misplaced. One of the precise reasons that this Court uses "GVR's" is to address the very situation present here, where intervening developments in the law were not considered by the lower courts. *Lawrence v. Chater*, 516 U.S. 163 (1996). Here, the Federal Circuit's *en banc* decision in *Seagate* was issued shortly after the Federal Circuit's decision on the merits of Stryker's appeal, thus falling precisely in the appropriate window for GVRs.

CONCLUSION

For all of the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX A — ECF NOTIFICATION AFTER THE SEPTEMBER 27, 2007 HEARING INDICATING THE JUDGE IS TAKING ORAL ARGUMENT UNDER ADVISEMENT

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Sent: Thu Sep 27 18:53:24 2007

Subject: Activity in Case 3:04-cv-00513-BR Acumed LLC v. Stryker Corporation Motion Hearing

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U.S. District Court

District of Oregon

Notice of Electronic Filing

The following transaction was entered on 9/27/2007 at 4:52 PM PDT and filed on 9/27/2007

Appendix A

Case Name: Acumed LLC v. Stryker Corporation

Case Number: 3:04-cv-513 <*https://ecf.ord.uscourts.gov/cgi-bin/DktRpt.pl?68212*>

Filer:

Document Number: 257(No document attached)

Docket Text:

MINUTES of Proceedings: Motion Hearing. The pending Motions (Motion for Permanent Injunction Against Stryker's Continuing Wilfull Infringement [231], Motion to Strike New Facts and Arguments From Acumed's Reply to Motion [247], and Motion For Enhancement of Damages For Stryker's Post-Verdict Willful Infringement [241]) are taken under advisement as of 9/27/2007. Paul Vickery, Fred Laney present as counsel for plaintiff(s). Sharon Hwang present as counsel for defendant(s). Court Reporter: Amanda LeGore. Anna J. Brown presiding. (sm)

3:04-cv-513 Notice has been electronically mailed to:

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Appendix A

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APPENDIX B — EXCERPTED TRANSCRIPT OF PROCEEDINGS DATED SEPTEMBER 27, 2007

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

Case No. CV-04-513-BR

September 27, 2007

Portland, Oregon

ACUMED, LLC, a Delaware limited liability company,

Plaintiffs,

v.

STRYKER CORPORATION, ET AL.,

Defendants.

TRANSCRIPT OF PROCEEDINGS

(Oral Argument)

BEFORE THE HONORABLE ANNA J. BROWN, DISTRICT JUDGE

[Commencing at page 64, line 5]

* * *

MS. HWANG: Okay. Your Honor, if I may, with respect to Seagate, I don't think it's irrelevant.

Here, the Federal Circuit articulated exactly what's meant by objective recklessness. Objective recklessness means there was no objectively reasonable infringement or invalidity position. And objectively looking at this case, this Court found twice, in its motion for enhanced — or, I'm sorry. In its order on enhanced damages the first time around and also on — in its order denying attorney's fees, this Court found that this was a close case on the merits. Not only on liability but also on willfulness. Then we go up to the Federal Circuit. The Federal Circuit comes out with a split decision on liability. It says — they recognize that there was certainly evidence there that would tend against willfulness.

Then we also have the situation where with respect to invalidity Stryker relied on the Alta prior art at trial. That was our main invalidity defense. After trial, Smith & Nephew went to the patent office and asked for re-examination of the '444 patent. And that's where the patent is right now.

The primary piece of prior art that the patent office [65] relied on was the Alta prior art. And so they rejected a substantial number of the asserted claims based on the Alta prior art. I think that shows you that this is not an objectively reckless situation.

It doesn't matter what Stryker thought.

THE COURT: Well, Ms. Hwang, you like to be selective about the record. And you like to look at only the evidence that favors your arguments. That's what advocates do.

But I'm not an advocate here. And, frankly, the conduct, as it was described to the jury from the witnesses concerning ignoring advice of counsel and affirmative decision to go forward to put Acumed out of business — as Mr. Vickrey likes to remind us all the time — is very strong evidence.

This is not a helpful piece of argument. And if this is all you're going to go back, I don't want to hear it any more. I've heard it too many times.

* * * *

APPENDIX C — EXCERPTED TRANSCRIPT OF PROCEEDINGS DATED SEPTEMBER 19, 2005

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF OREGON

No. CV 04-0513-BR

Portland, Oregon

September 19, 2005

ACUMED LLC,

Plaintiff,

vs.

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS, and HOWMEDICA OSTEONICS CORPORATION,

Defendants.

TRIAL – DAY 5

TRANSCRIPT OF PROCEEDINGS

BEFORE THE HONORABLE ANNA J. BROWN
UNITED STATES DISTRICT COURT JUDGE

Appendix C

[commencing at page 1121, line 23] * * *

In deciding whether Stryker committed willful infringement, you must consider whether Stryker independently designed its T2 nail or intentionally copied [1122] a product of Acumed covered by the '444 patent; whether Stryker, when it learned of the '444 patent, investigated the scope of the patent and formed a good-faith belief that the patent was invalid or that it was not infringed; whether Stryker had a substantial defense to infringement and reasonably believed that the defense would be successful if litigated; whether Stryker made a good-faith effort to avoid the '444 patent; and whether Stryker relied on a legal opinion that appeared to it to be well-supported and believable and that advised Stryker, one, that the T2 nail did not infringe the '444 patent or, two, that the '444 patent was invalid.

In evaluating Stryker's reliance on the advice of a lawyer, you should consider when Stryker obtained the advice, the quality of the information Stryker provided to the lawyer, the competence of the lawyer's opinion, and whether or not Stryker relied upon the advice. Advice is competent if it was based upon a reasonable examination of the facts and the law relating to validity and/or infringement issues, consistent with the standards and practices generally followed by competent lawyers.

* * * *